REPUTATIONAL IMPACT ON AN INDIVIDUAL BEING ADVERSELY NAMED IN THE ICAC'S INVESTIGATIONS

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NSWCCL New South Wales Council for Civil Liberties

NSW COUNCIL FOR CIVIL LIBERTIES

submission to

The Committee on the **Independent Commission Against** Corruption

Inquiry into the reputational impact on an individual being adversely named in the ICAC's investigations

31 July 2020

About NSW Council for Civil Liberties

NSWCCL is one of Australia's leading human rights and civil liberties organisations, founded in 1963. We are a non-political, non-religious and non-sectarian organisation that champions the rights of all to express their views and beliefs without suppression. We also listen to individual complaints and, through volunteer efforts attempt to help members of the public with civil liberties problems. We prepare submissions to government, conduct court cases defending infringements of civil liberties, engage regularly in public debates, produce publications, and conduct many other activities.

NSWCCL is a Non-Government Organisation in Special Consultative Status with the Economic and Social Council of the United Nations, by resolution 2006/221 (21 July 2006).

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Inquiry into the reputational impact on an individual being adversely named in the ICAC's investigations

The NSW Council for Civil Liberties [NSWCCL] welcomes the opportunity to make a submission to this Inquiry into the Reputational Impact on an Individual Being Adversely Named in the ICAC's Investigations. [The Inquiry]

1. PRELIMINARY COMMENTS ON ICAC

Before addressing the specific issue of this Inquiry, NSWCCL considers it useful to make some general comments as to our broad perspective on the role and significance of the NSW Independent Commission Against Corruption [ICAC]¹- and our current concerns as to its ongoing effectiveness.

In recent decades it has become clear that increasingly complex forms of corruption pose a serious and growing threat to the public good in Australia: by undermining the integrity of our democratic political system, distorting the policy making process, diverting resources from public good objectives and generally undermining public trust in our political class, governing institutions and public administration. If not more effectively checked, corruption poses a threat to our democratic values and processes – including individual rights and liberties.

In this context, NSWCCL has supported a strong and effective ICAC - subject to the strongest safeguards for individual liberties and rights that are compatible with operational effectiveness. On balance, we consider ICAC to have been a force for good in NSW. Notwithstanding strong criticism from some quarters, it enjoys strong community support which has provided a restraint (albeit less effective in recent times) on politicians from undermining ICAC for personal/party political reasons or in response to self-interested pressure from others.

1.1 Public inquiries

We consider the discretionary power to hold public inquiries – conducted under procedural fairness rules and consistent with public interest criteria - to be central to the effectiveness of, and public support for ICAC. We appreciate the potential for unfair reputational damage to individuals being publicly investigated by ICAC, but consider that in NSW, public hearings in recent times have overwhelmingly benefited the public good – notwithstanding some

¹ These general comments are drawn from a more expansive discussion in an earlier NSWCCL submission in relation to the NSW ICAC: **NSWCCL submission to the inquiry into protections for people who make voluntary disclosures to the NSW Independent Commission against Corruption** 2017 pp1-2. We expressed similar views in the NSWCCL submission to the Senate Select Committee on a National Integrity Commission April 2017 (Sub 26) P1ff

http://www.aph.gov.au/Parliamentary Business/Committees/Senate/National Integrity Commission/Integrit yCommissionSen/Submissions

apparent breeches of procedural fairness rules. They provide transparency and allow some public scrutiny into ICAC's operations and, most importantly, have exposed corruption in NSW to public view².

We do have a concern that the recent amendment requiring the decision to hold a public inquiry to be made by two Commissioners (the Chief Commissioner and one other) ³ may lead to a reduction in the number of public hearings. This will only become evident over time.

The importance of public inquiries to the effectiveness of ICAC and their benefit to the public good are such that NSWCCL would not support any proposals from this Inquiry which would have the effect of further limiting ICAC's capacity to hold public hearings of its investigations.

1.2 General undermining of ICAC capacity

In addition to the amendments to the Act, the significant reductions to the ICAC budget over recent years has seriously reduced its capacity – and will inevitably reduce its effectiveness. These budgetary reductions – and the ongoing and unreasonable requirement that ICAC⁴ must achieve ongoing annual efficiency dividends – are particularly alarming because they appear to be politically driven retribution for reputational damage to party officials and members of Parliament arising from ICAC investigations into breaches of electoral funding laws and other matter directly effecting party officials and members of parliament⁵.

An adequately funded, strong ICAC is essential to good government in NSW and particularly so in the context of the COVID-19 crisis when many normal government and administrative processes are disrupted and very significant emergency funds are distributed across the public and private sectors – and Parliament is restricted in its sitting schedule and correspondingly constrained in its normal capacity to scrutinise Government activities.

Although it is not within the ambit of this Inquiry, NSWCCL flags its strong support for an immediate increase to the ICAC budget to restore its prior effectiveness and capacity, and for the creation of an independent funding model for ICAC to be instituted in the current budgetary cycle.⁶ We consider these to be the high priority issues affecting ICAC which need speedy resolution.

² For more detailed argument on CCLs view of the importance of public hearings to the effectiveness of ICAC see *ibid*. ³ Section 6(2) of the ICAC Act. This amendment arose from recommendation 2 of the Committee for ICAC 2016 report. *Joint Parliamentary Committee on the ICAC. Review of The Independent Commission Against Corruption: Consideration of The Inspector's Reports: Report 2/56 – October 2016*, ppviii-ix

 ⁴ ICAC's serious budgetary problem was forcefully presented to the ICAC Committee by the Chief Commissioner Peter Hall QC (Transcript of evidence, 21 October 2019, pp pp4-6) and has been documented in number of recent reports
⁵ For example Operation Spicer involving prohibited donations in 2011 election;

⁵ For example Operation Spicer involving prohibited donations in 2011 election;

⁶ As multiply recommended- including by: this Committee - the Parliamentary Committee on the ICAC; the Legislative Council Public Accountability Committee; and the ICAC itself: NSW ICAC Special Report- The need for a new funding model for the ICAC, May 2020

2. THE ORIGIN OF THIS INQUIRY

We note that the issue of reputational impact has been examined in several inquiries in recent years and that an overall review of the ICAC is scheduled for next year.⁷ Nonetheless this Committee is explicit that it considers the issue is sufficiently urgent to be the subject of this specific inquiry in 2020.

The Committee acknowledges that the issue of reputational impact and an exoneration protocol have been considered by it and others previously. However, the Committee considers that this is an important issue which calls for further review.⁸

NSWCCL does not query the appropriateness of this Inquiry, but we are not aware of any pressing need for a change to current procedures or of any other compelling reason for the urgency for this review. We are aware of recent cases which have led to some public controversy and claims of unwarranted reputational damage to individuals – but don't consider these constitute grounds for another separate review of the issue in advance of the 2021 general ICAC review.⁹

We note that Mr McClintock SC recently argued that issues such as reputational damage are most appropriately considered in the context of the regular full reviews of ICAC- and that, while he did not rule it out as an option he saw no pressing need for a specific review of this issue.¹⁰

NSWCCL has some concern that this issue-specific review may be being politically driven by a wish to restrict ICAC's capacity to hold public inquiries. As noted above, we would not support any recommendation which would have the effect of further constraining ICAC's discretion - within existing guidelines - to hold public inquiries.

3. ICAC HISTORY AND PERENNIAL DEBATES

The NSWCCL has closely followed the debates and controversies relating to ICAC's development since 1988 and, as noted above, our broad perspective has changed over that time to one of general support for anti-corruption bodies including strong support for role of public hearings as a centrally important aspect of ICAC's operation. In that context, we have engaged with the perennial controversies and reports relating to reputational damage to individuals and their various proposals for additional safeguards and remedies.

⁷ Committee on the Independent Commission Against Corruption. Discussion paper: reputational impact on an individual being adversely named in the ICAC's investigations. May 2020. [Discussion Paper 2020. para 1.8, p2 ⁸ [Discussion Paper 2020] para 1.10, p2.

⁹ For example the controversy around Charif Kazal which gave an initial impetus to a call for an exoneration protocol; the ongoing calls for a mechanism to remove the reputational damage sustained by Police Minister Mike Gallacher.

¹⁰ Bruce McClintock SC, Inspector of the ICAC, Transcript of evidence, 18 October 2019, p 4.

For this submission NSWCCL revisited the key reports and is confirmed in our view that the relevant issues have been thoroughly debated and a comprehensive range of reform options identified and considered. The resulting recommendations that have been implemented since 2005 have provided ICAC with robust procedures – including those to mitigate unwarranted reputational damage to individuals named or called before ICAC.

This has been achieved without undermining the effectiveness of ICAC or constraining its openness to the community through public hearings¹¹.

The history of key issues and recommendations relevant to this Inquiry are clearly and accurately laid out in the Committee's excellent Discussion Paper. We therefore draw from it selectively to argue our case.

3.1 The persistence of the exoneration protocol proposal

As the Discussion paper notes, the 'two notable reports' examining the option of an exoneration protocol were the 2016 Report by the then Inspector of ICAC David Levine¹² and the 2017 Report relating to Operation Vesta by the then Acting-Inspector John Nicholson. Both raised significant issues in relation to reputational damage and both advocated consideration be given to the adoption of an exoneration protocol.

No action was taken on the Levine report recommendation supporting an exoneration protocol as the weight of other expert opinion was opposed. This opposition included the ICAC Committee which recommended against Inspector Levine's support for such a protocol in 2016 for eight reasons including:

- The ICAC has a very different role from the DPP and the courts.
- the ICAC makes its findings based on a different standard of proof from the criminal courts ie on the balance of probabilities instead of beyond reasonable doubt
- the ICAC can base its findings on evidence that is not admissible in court....
- the elements of 'corrupt conduct' as defined in the ICAC Act do not correspond with a particular crime
- findings of corrupt conduct do not necessarily lead to prosecutions because there may not be enough admissible evidence, or the offence may be out of time.

In the circumstances, the Committee found the fact that a person has been acquitted of a criminal offence does not mean he or she has been exonerated in respect of a

¹¹ With the caveat as to the impact of funding cuts and the amendment requiring two Commissioners to decide on a public inquiry. (see p4 above)

¹² Levine's discussion of the issue was based on his specific report on ICAC's highly controversial Operation Hale: Report pursuant to section 77A Independent Commission Against Corruption Act 1988, Operation Hale.)

corrupt conduct finding. Therefore, it decided that an exoneration protocol should not be introduced¹³.

The Committee also noted that 'a majority of stakeholders who made submissions to the inquiry about the proposed exoneration protocol did not support it'.¹⁴

Nicolas Cowdery QC, previously the NSW DPP, was one such stakeholder:

I am of the view that the Inspector, in his recommendation for an "exoneration protocol" (by whatever name and process), has fallen into the trap of too closely identifying the ICAC investigation process with the criminal prosecution process.

Consequently, to connect the validity of ICAC's findings with the outcome of any prosecution process is deeply flawed. To set up the absence of a conviction (not a charge) as a basis for setting aside the ICAC findings is illogical. Even to set up the absence of a charge would be a logical non sequitur. The ICAC findings are in separate proceedings, based on (usually) a different corpus of information and not subject to the vagaries of the criminal trial process which can affect strong and weak cases alike.¹⁵

While appreciating that unwarranted reputational damage would likely result from some ICAC hearings, NSWCCL was in broad agreement with the arguments opposing the imposition of a formal exoneration protocol on ICAC.

It seemed at that point in time that the issue was decided in the negative. However, the following year the report of Acting-Inspector Nicholson on Operation Vesta and his subsequent 2017-18 Inspectors Report brought the issue to the fore again. He recommended that Parliamentary consideration be given to:

whether or not it is in the public interest that access to an exoneration protocol should be introduced into the provisions of the ICAC Act; and if so, in what circumstances and by what means could an "affected" person pursue exoneration.¹⁶

The recommendation was specific to 'persons who have had a corrupt conduct finding made against them by the ICAC, and who are later prosecuted for a criminal offence based on the

¹³Committee on the ICAC, Report 2/56 Review of the Independent Commission Against Corruption: Consideration of the Inspector's Reports (October 2016) pp 11-13.

¹⁴ ICAC Committee, *Review of the Independent Commission Against Corruption: Consideration of the Inspector's Reports*, report 2/56, Parliament of New South Wales, October 2016, p **11**. Quoted in Discussion paper, **1**.22, P.4.

¹⁵ Nicholas Cowdery AM QC: Submission to the Inquiry into the ICAC Inspector's Report to Premier: The Inspector's Review of the ICAC, 23 June 2016.

¹⁶ Office of the Inspector of the ICAC, *Report Pursuant to Sections 57B and 77A Independent Commission Against Corruption Act 1988: Operation "Vesta"*, 29 June 2017, p vi.

same or a similar set of facts'. 'Where such persons are acquitted of that offence, the Inspector recommended that they should also be able to apply to the Supreme Court to have the ICAC finding set aside'.¹⁷

Having read the transcripts of the ICAC Committee hearings on the review of the Inspector's and ICAC's 2017 reports it is clear that there remains considerable concern among some Committee members in relation to the difficulties individuals who suffered unwarranted reputational damage which seems to have resulted in part from ICAC breaches of procedural fairness guidelines experience in gaining remediation.

Some of this concern seems justified. The concerns articulated in these hearings related mainly to the experience of members of parliament- notably Mr Gallacher who resigned from the Ministry and eventually from Parliament as a result of being caught up in ICAC's investigation into corrupt behaviour relating to electoral funding in 2016.

Both Inspector McClintock and the Commissioners argued during these hearings that things have moved on since this case - and ICAC legislation and procedures had been strengthened to address and minimise these problems.¹⁸ However, It seems clear from the transcripts that some Committee members were not convinced that the changes to the ICAC legislation and processes in recent years provided adequate protection against unwarranted reputational damage.

The Inspector followed up his evidence in a subsequent memorandum to the Committee.¹⁹ He had been pushed to provide an answer as to whether further change was necessary to the ICAC legislation to protect persons from unwarranted reputational damage and specifically to Mr Hoenig's challenge:

*I am looking for some mechanism that people like Michael Gallacher can, from some determinative authority, have his reputation restored rather than just producing the transcript of this hearing.*²⁰

No specific current weakness in the current legislation or procedures were identified beyond the possibility of adding mandatory public reporting by ICAC that it has made no findings of corruption and/or that no evidence of corruption was found in relation to a relevant person and possible improvement re procedures for oversight of assisting counsel by the Inspector.

The ICAC Committee in its 2019 Report amended its previous position and made two significant findings that:

¹⁷ [Discussion Paper 2020] par 2.31, p21.

¹⁸ Committee on The Independent Commission Against Corruption Review of the 2017-2018 Annual Reports of The ICAC And Inspector of the ICAC Friday 18 October 2019.

¹⁹ Memorandum by Mr Bruce McClintock SC 1.31, 25 November 2019

²⁰ Committee on The Independent Commission Against Corruption Review of the 2017-2018 Annual Reports of The ICAC And Inspector of the ICAC Friday 18 October 2019. P11

The reputational impact experienced by people named in investigations of the ICAC can be serious, and is not addressed fully by the available remedies. and

An exoneration protocol is one possible remedy available to address the reputational impact of being named in the investigations of the ICAC.²¹

We note and understand the concerns that were expressed by some Committee members during the hearings. However, NSWCCL did not find any evidence in the most recent reports that would challenge the arguments that had previously prevailed against the exoneration protocol. They did not provide NSWCCL with any grounds which would lead us to amend our view the proposed protocol was neither necessary nor appropriate and would be likely to undermine ICACs standing and effectiveness in preventing corruption. It would seriously undermine ICAC's ability to have public hearing.

It would in our view be a detrimental imposition on ICAC and contrary to the overall public good.

Nor are we convinced that there is evidence that the cumulative reforms from 2005 to now do not provide a sufficiently effective array of legislated and administrative procedures and processes to provide as much protection against unwarranted reputational damage to persons as is compatible with ICAC's capacity to function effectively and achieve its critically important objectives.

In holding to this position, we are conscious that we are accepting that there will be some necessary trade-off of rights and some unwarranted harm done to some individuals in the interests of the public good of combatting the toxic impact of corruption in government and public administration in NSW. This is an uncomfortable but probably unavoidable compromise given the extent and resilience of corruption in our state.

On the issue of other safeguards and remedies which would minimise reputational damage to those who are caught up in an ICAC proceeding but have no finding of corruption, or evidence of corruption, against them, we hold a similar position. The reforms to ICAC since 2005 have been extensive and significant. They seem to be working.

We consider it would be wise to give ICAC a few more years to establish the effectiveness or otherwise of these reforms.

²¹ Committee on the Independent Commission Against Corruption Report 1/57 – November 2019 Review of the 2017-2018 Annual Reports of the ICAC and the Inspector of the ICAC

4. NSWCCL RESPONSE TO COMMITTEE'S QUESTIONS

4.1 Summary of NSWCCL responses

i) Need for an exoneration protocol

• Is an exoneration protocol needed to deal with certain circumstances where individuals suffer reputational impact from being adversely named in the ICAC's investigations?

NSWCCL response:

No.

If not - What are the reasons for not developing an exoneration protocol?

NSWCCL response:

We agree with arguments put forward by experts in various reports and submissions that a generic exoneration protocol applying generally to all circumstances would not be appropriate or workable.

We are of the view that the amendments to ICAC legislation and procedures in recent years have comprehensively addressed previously identified problems in this area.

We agree with the view that those proposing an exoneration protocol fail to distinguish between the very different nature of an ICAC investigation and finding and the prosecution process in a court of law.

We consider it likely that any generic exoneration protocol would likely be unworkable and at best would undermine ICAC's effectiveness and inhibit decision making in relation to holding public hearings.

Ultimately, we are of the view that an effective and reasonably transparent anticorruption body will inevitably cause reputational harm to those it investigates and that a perfect remedy to this is not achievable. While useful safeguards and remedies which are compatible with effective ICAC operation should be – and have been- adopted, there may have to be some trade-off for the greater public good of exposing and preventing corruption in government and public administration.

ii) Adequacy of existing/examples improvements/examples of additional safeguards and remedies

• Are existing safeguards and remedies available to the ICAC and the Inspector of the ICAC adequate to minimise the risk of reputational impact from being adversely named in the ICAC's investigations?

NSWCCL response:

Yes. The summary discussion of the existing safeguards and remedies set out in the Discussion Paper (paras 1.38-1.56) and discussed in the Committees 2019 report encompass a strong and comprehensive array of available procedures that, if properly and intelligently utilised, are adequate to minimise the risk of reputational impact from being adversely named in the ICAC's investigations

• Are there any improvements that could be made to existing remedies and safeguards? If so, how could these be implemented?

NSWCCL response:

We do not have any improvements to offer that we would consider necessary or beneficial. Nor do we know of any other proposal that would be more effective than the existing provisions which could be implemented without significantly undermining the effectiveness of ICAC and its capacity to achieve its objectives.

• Are there any additional safeguards and remedies that could be considered? If so, how could these be implemented?

NSWCCL response:

No - We do not know of any other proposal that we consider would be more effective than the existing provisions which are listed in the Discussion Paper (paras 1.38-1.56)

iii) Examples from other jurisdictions

• Are there any other examples of similar anti-corruption, investigatory or administrative bodies that have relevant practices dealing with issues relating to reputational impact?

NSWCCL response

We have not done recent research on other jurisdictions, but on the basis of possibly dated information, we are not aware of any that could improve ICAC's existing procedures and effectiveness.

4.2 Possibility of additional safeguards or remedies.

NSWCCL does not consider further safeguards are necessary or appropriate, but if a process was proposed which was effective in further ameliorating unwarranted reputational damage in legitimate circumstances, but did not further constrain Commissioners' discretion to hold public hearings or otherwise diminish ICAC's effectiveness in exposing corruption – then NSWCCL would not oppose it.

From this perspective we note two options which have been floated in recent times.

Review process

Nicholas Cowdery QC in a previous submission relating to this matter – while rejecting the concept of a generic Exoneration Protocol and affirming the adequacy of existing provisions if properly implemented – did tentatively flag the possibility of a review process:

That said, there may be merit in consideration being given to the establishment of some sort of review process that would enable challenge to and review of ICAC findings by a person adversely affected, who would be required to establish sufficient grounds – and ICAC would be a party to any such proceedings. Regard would need to be had to the process that led to the findings (eg public v private hearings, publicity, etc) when deciding whether or not a review was warranted in the private and public interest.²²

From a contrary perspective we note the Independent Review Panel on ICAC had considered and rejected the option of a merit review process in its 2015 review.²³

Mandatory publication of no findings

The Chief Commissioner Peter Hall QC - while arguing that sufficient remedies and safeguards are already in place – indicated to the Committee that he would be open to consideration of a mandatory requirement for ICAC to state on its website that no finding of corrupt conduct or evidence of corrupt conduct had been found if the person concerned requests it.

The last point you made is, in effect, whether there should be.....something put on our website to say that Mr Brown was a person of interest in this investigation and the Commission found no evidence of corrupt conduct against him. It may be that the person concerned says, "I don't want my name to go up in lights anymore on the ICAC website", which we normally take down after a period of time. But some perhaps could be asked, "Do you want us to put something on the website to say that, although you were the subject of an investigation by us, there was no evidence of corrupt conduct by you". We do not do that, but I would be open to considering doing it.²⁴

²² Professor Nicholas Cowdery AM QC: Submission to the Inquiry into the ICAC Inspector's Report to Premier: The Inspector's Review of the ICAC, 23 June 2016, p2.

²³ [Inde pendent Review Panel Report 2015] Referenced in [Discussion Paper 2020] para 1.23 pp4-5.

²⁴ Transcript pp9-10

5. SUMMARY OF NSWCCL VIEWS

- NSWCCL supports a strong and effective ICAC- subject to the strongest safeguards for individual liberties and rights that are compatible with operational effectiveness.
- ii) On balance, we consider ICAC to have been a force for good in NSW.
- iii) The importance of public inquiries to the effectiveness of ICAC and their benefit to the public good are such that NSWCCL would not support any proposals from this Inquiry which would have the effect of further limiting ICAC's capacity to hold public hearings of its investigations.
- iv) NSWCCL calls for an immediate increase to the ICAC budget to restore its prior effectiveness and capacity, and for the creation of an independent funding model for ICAC to be instituted in the current budgetary cycle. We consider these to be **the** high priority issues affecting ICAC which need speedy resolution.
- NSWCCL has some concern that this issue-specific review may be being politically driven by a wish to restrict ICAC's capacity to hold public inquiries which have in recent times been very damaging for political party officials and members of parliament.
- vi) The relevant issues relating to reputational harm have been thoroughly debated and a comprehensive range of reform options identified and considered. The recent reports from the Acting Inspector of ICAC and the latest ICAC Committee Report do not provide substantive evidence that further reform on this issue is required at this time.
- vii) The resulting recommendations that have been implemented since 2005 have provided ICAC with robust procedures including those to mitigate unwarranted reputational damage to individuals named or called before ICAC. It seems premature to be assessing them at this time.
- viii) NSWCCL does not support an exoneration protocol for ICAC on the grounds set out in 4.i) above.
- ix) NSWCCL does not at this stage consider there is evidence to support the need for additional safeguards and remedies to protect against unwarranted reputational harm for persons caught up in ICAC proceedings.
- x) Notwithstanding ix) above, if the Committee recommended a process which was effective in further ameliorating unwarranted reputational damage in legitimate circumstances, but did not further constrain Commissioners' discretion to hold public hearings or otherwise diminish ICAC's effectiveness in exposing corruption – then NSWCCL would not oppose it.

6. CONCLUDING REMARKS

NSWCCL considers this to be an important inquiry in the history of ICAC reviews. We are in a crisis context in which a well-resourced and effective anti-corruption body is greatly needed for the protection of the public good and to act as a force for honest public administration and governance.

We hope this submission is of assistance to the Committee. NSWCCL is willing to provide further comment or answer questions if the Committee so wishes.

This submission was written by Dr Lesley Lynch, member of the Executive and Convenor of the Human Rights and Civil Liberties Committee on behalf of NSWCCL. Input was provided by other members of the Executive.

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