

**THE DEPARTMENT OF EDUCATION AND  
TRAINING'S FINAL REPORT TO THE  
INDEPENDENT BROAD-BASED ANTI-  
CORRUPTION COMMISSION IN RESPONSE  
TO OPERATION DUNHAM**

**MARCH 2018**

# CONTENTS

<b>Operation Dunham special report recommendations .....</b>	<b>3</b>
<b>The Department of Education and Training’s response to Operation Dunham .....</b>	<b>4</b>
<b>Recommendation 2(a).....</b>	<b>4</b>
Managing commercial opportunities .....	4
<b>Recommendation 2(b).....</b>	<b>4</b>
Governance arrangements for major projects .....	4
Procurement .....	6
Declaring conflicts of interest and gifts, benefits and hospitality .....	7
Documentation of probity complaints.....	7
Internal audit .....	8

# OPERATION DUNHAM SPECIAL REPORT RECOMMENDATIONS

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The Independent Broad-based Anti-corruption Commission (IBAC) made two recommendations for the Department of Education and Training in its Operation Dunham special report.

## **Recommendation 1**

The Secretary of the Department provide a final report on the effectiveness of reforms addressing the issues identified in Operation Dunham by 30 March 2018.

## **Recommendation 2**

The Secretary's reports are to:

- a. conduct a review of current arrangements governing how schools and other work areas pursue and respond to commercial opportunities, to ensure appropriate controls apply around transparency, accountability, central oversight and risk minimisation
- b. advise on action taken to strengthen internal procurement and governance arrangements for major projects to ensure accountability and transparency, including proper record keeping, maintenance of conflict of interest registers and proper documentation of complaints regarding probity.

# THE DEPARTMENT OF EDUCATION AND TRAINING'S RESPONSE TO OPERATION DUNHAM

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## RECOMMENDATION 2(A)

The Secretary's reports are to conduct a review of current arrangements governing how schools and other work areas pursue and respond to commercial opportunities, to ensure appropriate controls apply around transparency, accountability, central oversight and risk minimisation.

### **Managing commercial opportunities**

Operation Dunham found that Department officers did not seek advice or permission from the Department about the establishment of a private company to exploit an idea developed at school, by school staff, on school time.

In late 2017, the Department commissioned an independent audit of the existing arrangements (including controls) governing how schools and other work areas pursue and respond to commercial opportunities.

To address issues identified in the review, the Department has begun developing intellectual property guidelines that are consistent with the Whole of Victorian Government (WOVG) Intellectual Property Policy (particularly Principle 4). Creation and communication of specific guidelines will make it clearer to staff that products they create during their employment are the intellectual property of the Department. The guidelines will be completed by 30 June 2018 and a communications strategy will be completed, including the development of training by 30 September 2018.

Training and awareness-raising activities for corporate staff will commence by 30 September 2018, and roll out to schools by end-2019. The training will give staff the opportunity to test proposed or current IP and commercialisation issues with subject matter experts to allow for early intervention to ensure appropriate outcomes.

Central oversight of employees pursuing commercial opportunities unrelated to their employment which create a conflict of interest will also be improved through the new Conflict of Interest (COI) Register (see page 7 for more information).

Once completed, these actions will provide a transparent and consistent approach to the management of commercial opportunities arising through employment with the Department.

## RECOMMENDATION 2(B)

The Secretary's reports are to advise on action taken to strengthen internal procurement and governance arrangements for major projects to ensure accountability and transparency, including proper record keeping, maintenance of conflict of interest registers and proper documentation of complaints regarding probity.

### **Governance arrangements for major projects**

Operation Dunham identified significant failings in relation to governance of major projects.

The Department's September 2017 progress report<sup>1</sup> described some of the key actions taken to respond to Operation Dunham. In particular, the redesigned committee structure provides the foundation for good governance, and has resulted in stronger leadership, more efficient and effective decision-making, and greater accountability and transparency. The requirement for an annual work plan provides a transparent mechanism for identifying and overseeing projects of strategic significance, including Executive Board priority projects.

The introduction of a program management approach supports governance committees to oversee major projects. The Enterprise Portfolio Management Office (EPMO) was established specifically to develop and introduce a methodology for project, program and portfolio management across the Department. This means that priority projects identified by Executive Board have consistent reporting mechanisms to track progress against timelines, and risk and issue management. These tools also better equip governance committees to interrogate performance and improve accountability for the delivery of projects. For example, by ensuring that project objectives are aligned to the Department's priorities and the most efficient process design and execution plan are developed.

Continuous improvement is a focus for governance committees. Committee members reflect on their performance through an annual self-assessment process which measures progress against work plans, including the quality and responsiveness of decision-making.

Similarly, the EPMO has adopted a continuous improvement operating model. For example, having implemented effective enterprise-level reporting analytics, standards and tools, the EPMO has identified a range of priority improvements that reflect contemporary project management methodologies. Further work is underway to improve support for decision-makers and project teams including in relation to:

- consistent standards for portfolio and program management methods
- executive and project staff training
- governance of change and benefits realisation.

The improvements will enable the EPMO to play a lead role in setting up major projects for success through:

- supporting and working to reduce risk for the Department's most complex and high value/high risk projects
- developing the skills and capability of staff who deliver projects
- overseeing the life-cycle of major projects from policy development, initiation and financing to independent assurance.

To support transparent decision-making, and encourage a whole of department perspective for any given committee, the roles of Committee Chair and Deputy Chair are filled by executives from different groups in the Department from the areas substantially responsible for the operation of the functions that relate to the committee. For example, the Chair and Deputy Chair of the Procurement and Probity Committee (PPC) – which provides strategic oversight to procurement activities – are executives from the People and Executive Services Group (which focuses on people services, stakeholder engagement, legal and ministerial support), and the Office of the Secretary. Independent expert members are included where appropriate to scrutinise and assure decision-making. The Audit and Risk Committee has an independent Chair to ensure the Secretary receives independent advice in relation to the Department's responsibilities and obligations under the *Financial Management Act 1994*.

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<sup>1</sup> *Working with Integrity: the Department of Education and Training's Second Report to the Independent Broad-based Anti-corruption Commission (IBAC)* (September 2017).

The Department improved management of information and technology projects by creating the new role of 'Chief Information Officer' (CIO) to lead a new Information Management and Technology Division and through improvements to the Information Management and Technology governance framework and processes. An external review found that a whole of Department approach to managing IMT was required to better support the strategic intent and deliver benefits. The establishment of the CIO and IMT Division and improved governance framework has improved Information and Communications Technology projects by:

- streamlining decision-making
- improving transparency, accountability and integrity
- supporting financial sustainability and
- providing the Department with the best available technology and support.

Business units are supported by IMT Division through the management and governance of projects that are appropriately scaled to the size, complexity and risk of the business need and ICT solution to be delivered.

## **Procurement**

Operation Dunham found procurement controls were inadequate due to the failures of the three lines of defence. The Department's September 2017 progress report described the ways in which systems and controls, including those relating to procurement, have been strengthened.

The procurement system has been simplified and the process streamlined, while maintaining a robust procurement system. An expanded team of procurement professionals for corporate and a new procurement function for schools have been developed to support corporate and school needs.

In December 2017 the Department launched the Corporate Procurement Portal, a single stop for employees to access information, resources and support. The new operating model incorporates a move from a devolved procurement model to a centre-led model where an expanded team of procurement professionals will lead end-to-end strategic procurement activities on behalf of the Department. New resources include refreshed procurement templates to scale the details required in proportion to the value of the purchase and a simple, new document search tool to help staff easily find and access the templates they require.

To build capability around these changes, additional training opportunities have been provided, including eLearning modules for corporate staff focusing on procurement and contract management, a refreshed face to face training package and the introduction of a Community of Practice forum.

Further work has reinforced internal procurement arrangements for major projects. Most relevantly, the Department's Procurement procedure for both corporate and schools outline specific processes for procurements with a value of over \$150,000. To ensure accountability and transparency the Procurement Division requires all procurements of over \$150,000 to be discussed with them when they are being commenced, and to follow a strict process from the planning stage to contract completion. For example, business areas must complete specific documentation including the Sourcing Strategy Decision Document which helps staff step through the procurement process and includes guidance to complete a market analysis summary.

As an additional control, procurements of over \$150,000 must be approved by either the Department's Chief Procurement Officer, the PPC or a Procurement Manager.

A Schools Procurement Governance Framework has now been developed to complement the School Procurement Policy and Procedures and the Schools Procurement Portal. Underpinned by Victorian Government Purchasing Board guidance, appropriate mechanisms for compliance ensure that probity considerations are always taken into account. A governance committee and stakeholder reference group have been established to provide ongoing governance and advice. As a result of

these improvements, school councils are now required to adhere to the Schools Procurement Policy.

Schools are also being supported to procure information and communication technology (ICT) goods and services. The Conditions of Connection project will deliver a register of ICT suppliers available for use in schools where the privacy impact has been documented and system security assessed. Schools will be able to select suppliers from the list or choose to go through the assessment process for a supplier that is not yet registered. This provides additional technical controls for the management of personal and sensitive information but also puts in place more documentation about ICT procurement.

These improvements make buying goods and services for the Department easier, while giving employees the proper support, tools, and guidance to use public funds responsibly and to realise the greatest value for money.

### **Declaring conflicts of interest and gifts, benefits and hospitality**

In 2018, the Department will establish a new register for the declaration of COI and the existing electronic Gifts, Benefits and Hospitality (GBH) register for corporate staff will be expanded to include declarations by school staff. These registers aim to improve overall management of major projects and commercial opportunities through increased transparency and accountability. Employees who are involved in procuring goods and services, particularly for major projects, will be more likely to declare COI and GBH if the use of these registers is embedded in business as usual practices across the Department.

The introduction of a centralised, electronic system for declaring and registering COI is scheduled for implementation by June 2018. The COI Register will be an electronic declaration form, with notification and approval workflows, embedded in the online HR and payroll system. It will be available for corporate VPS staff, school principals and school business managers to declare and register management plans for COI – including those arising from personal commercial opportunities or external employment. The COI Register is designed to both increase employee capability in identifying potential COI, through prompting questions, and support best practice management of COI risk through provision of a user-friendly, accessible tool. This system will enable central monitoring and oversight, as the Department will be able to easily extract and analyse data to ensure that COI issues are being accurately identified and appropriate management plans are in place.

The updated GBH Policy for corporate (implemented in February 2017) and for schools (implemented in August 2017) models best practice and is aligned to WOVG practices and the Victorian Public Sector Commission's model policy. The GBH Policy is complemented by the communication of the Victorian Government's Supplier Code of Conduct to contracted suppliers and the Thanks is Enough campaign, which encourages people to let suppliers and others know that thanks is enough and no gifts are needed.

A centralised, electronic GBH Register for corporate staff is already live and will be implemented for school-based staff by June 2018. Declarations of GBH offers (whether accepted or declined) will be recorded and reported in accordance with departmental and whole of Victorian Government policy standards. The Department will monitor and analyse the use of these registers for continuous improvement purposes, including to inform future resources and training for employees.

### **Documentation of probity complaints**

The Department is confident that the measures described above will reduce the risk of major projects being managed inappropriately, however, as a further way of ensuring accountability, probity complaints are recorded in accordance with the Procurement Complaints Management Framework, and reviewed by PPC.

PPC provides a layer of strategic oversight to ensure value for money, accountability, and probity, including compliance with VGPB policy. Procurement approval is scaled according to the level of procurement complexity, risk and value.

The complaints management process is described in the Corporate Procurement Policy and published on the Department's website. Probity complaints are disclosed in the Department's Annual Report in accordance with VGPB requirements.

### **Internal audit**

The Department's independent and robust internal audit function has improved accountability and assurance of major projects and other Departmental policies, programs and operations.

The internal audit function includes a data analytics strategy that has increased the Department's capability to identify potential COI, other employment and private interests. Internal audit will also be able to test compliance with the Commercial Opportunities Policy. The next internal audit of COI is proposed to occur in 2018-19.

In August 2017, the Victorian Auditor-General's Office found the Department's internal audit function "goes much further than complying with the minimum legislative requirements and adopt(s) many aspects of better practice".