

Bendigo Kangan Institute Response

December 2018

*Operation Lansdowne:
An investigation into
allegations of serious
corruption involving
Victorian vocational
education and training,
and public transport
sectors*



Contents

Glossary.....	3
About Bendigo Kangan Institute	4
Foreword	5
Introduction	6
1. Operation Lansdowne – Findings and Recommendations	6
2. BKI Response to Relevant Findings of Operation Lansdowne Recommendation 1.....	7
2.1 Strengthened systems and controls for overlooking third party agreements	7
2.2 Ensured compliance with third party agreements	8
2.3 Implemented stronger controls around student proof of identity	11

Glossary

AED	BKI Authorised Enrolment Delegates
ASQA	Australian Skills Quality Authority
BKI	Bendigo Kangan Institute of TAFE, part of the public system of vocational education and training in the State of Victoria, Australia
BKI Board	Board of Directors established under the Victorian Education and Training Reform Act 2006
DET	Department of Education and Training (Victoria)
ESOS Act	Education Services to Overseas Students Act (2000) as amended
Executive Team	CEO, Executive Directors (7)
HESG	Higher Education and Skills Group - DET
IBAC	Independent Broad-based Anti-Corruption Commission
National Code	National Code of Practice for Providers of Education and Training to Overseas Students 2017
Operation Lansdowne	IBAC investigation into allegations of serious corruption involving Victorian vocational education and training, and public transport sectors
Standards	Standards for RTOs 2015 as amended. This is the Australian regulatory framework for VET in Australia
SRIP	BKI Student Records Improvement Program
TAFE	Technical and Further Education
VET	Vocational Education and Training
VET Funding Contract	Annual funding contract between BKI and HESG. The current VET Funding Contract is 2018-19 TAFE VET Funding Contract Skills First Program.
VETiS	VET in Schools program including accredited VET units/qualifications in Victorian senior secondary school program
VPSC	Victorian Public Sector Commission

About Bendigo Kangan Institute

Bendigo Kangan Institute (BKI) is part of the network of public providers of vocational education and training (VET) in Victoria, Australia established under the Victorian *Education and Training Reform Act 2006*. BKI comprises Bendigo TAFE, Kangan Institute, assessment-only registered training organisation VETASSESS and e-learning specialist eWorks.

The Victorian Government's remit for BKI is for it to work collaboratively with other Victorian TAFEs to lead the State's vocational education and training system in excellence and innovation, provide life skills and work skills, and support disadvantaged students and local communities.

With a focus on regional Victoria and metropolitan Melbourne, BKI stretches from Richmond to Echuca. It includes campuses in Docklands, Moonee Ponds, Essendon, Broadmeadows, Castlemaine, Echuca and Bendigo.

Each year BKI delivers training to more than 30,000 individuals at 10 campuses including its three Centres of Excellence in Automotive, Health and Community, and Food and Fibre, alongside various other specialist training facilities. This network of facilities provides the foundation for BKI to drive innovation, increase productivity, and respond to changing industry skill needs in the communities it serves.

BKI is committed to maintaining the highest standards of integrity and of legal, ethical and moral behaviour by all its employees. BKI expects dealings with students, clients, colleagues and external parties will always be honest, open and accountable.

Maintaining integrity and ensuring high levels of public trust and confidence are critical to BKI's performance and reputation. BKI believes that an ethical culture plays an important role in preventing fraud and corruption and helping to detect and respond to fraud and corruption if and when they occur.

Finally, BKI works collaboratively with the Victorian Government and other TAFEs to enhance Victorian TAFEs' global reach and support an expansion in international education pursuant to Government policy.

Foreword

On behalf of BKI, I present this response to the report of the Independent Broad-based Anti-Corruption Commission (IBAC) following Operation Lansdowne in 2017. Following the release of the IBAC report, BKI's response to IBAC findings was immediate. A comprehensive remediation plan was developed and implemented over the succeeding twelve months. The plan enabled us to reinforce BKI's agreed values of accountability, collaboration, client experience, passion, and respect to underpin decisions and behaviours of management and employees alike. The BKI Board and executive team have seen the importance of including 'integrity' as a sixth value to signal clearly to the organisation that integrity is integral to all aspects of our work with zero tolerance for any fraudulent and/or corrupt behaviour.

Responding to the IBAC Report has been a positive organisational learning experience resulting in significant cultural change, improved quality assurance, stronger academic and financial governance and the systematic review and refresh of policies and procedures. These changes have been designed to prevent a recurrence of the issues identified in the Operation Lansdowne Report.

A high priority was the comprehensive review of BKI's third-party training arrangements. An immediate decision was to exit from all workplace based third party arrangements, as well as to sever employment where staff breached the public sector employee Code of Conduct [REDACTED]

Throughout the remediation process BKI has drawn on external expertise to inform our plan of reform and improvements and to provide extensive professional development to build staff capabilities.

Throughout the period, the BKI Board has provided strong oversight of the remediation process. The Board itself undertook a complete overhaul of its governance arrangements.

Finally, I wish to acknowledge the contributions of the IBAC Response Project Team established to manage the Institute-wide response, the Executive Team, senior managers and their respective teams, for their leadership and support throughout this process.

Operation Lansdowne has provided an important opportunity for BKI to strengthen its academic governance, and quality of teaching and assessment to establish its place as a high-performing TAFE organisation. As an outcome of Operation Lansdowne I believe BKI is a robust, more quality-focused TAFE provider with a strong commitment to act ethically and with integrity now and into the future.

[REDACTED]
Trevor Schwenke
Chief Executive Officer
15 November 2018

Introduction

Following an investigation commencing in December 2015, IBAC delivered the findings of Operation Lansdowne in December 2017.

The Operation Lansdowne Report required BKI to provide IBAC with a Report by 31st December 2018 on actions taken to address issues identified in Recommendation 1 of the IBAC Report. This document stands as the Report to IBAC from BKI's Chief Executive Officer.

From the outset, BKI sought to establish an environment where BKI employees could best understand the actions being implemented to establish a culture in which all staff acted with integrity and had a zero tolerance of fraud and corruption.

An early initiative was the review of risk assessment controls to manage potential fraud and corruption. The review led to the implementation across the Institute in early 2018 of a new Fraud and Corruption Policy as part of a newly developed BKI Integrity Framework. In addition, BKI also adopted the commonly accepted good practice Three Lines of Defence risk management model.

The BKI Board reformed its own governance arrangements including the establishment of a Board Education Committee to oversee the governance and quality of education and training programs. It endorsed stronger internal management governance structures with the establishment of a Business Board and it refreshed the terms of reference and membership of the BKI Board of Studies.

This Report details specific actions taken to address the IBAC Report's Recommendation 1, which together with broader organisational reforms, are targeted at building lasting cultural change with the goal of ensuring issues identified by IBAC will not recur in the future.

1. Operation Lansdowne – Findings and Recommendations

[REDACTED]

[REDACTED]

[REDACTED] Operation Lansdowne identified deficiencies in BKI's systems and controls for third-party agreements. Findings included:

- confusion regarding subcontracting arrangements within the VET Funding Contract,
- poor internal processes for oversighting training delivered on their behalf, and
- insufficient controls on proof of student identity.

The investigation considered matters occurring in a period (2008-2016) characterised by government policy reforms in the VET sector that enabled greater competition with opening-up of the VET market to increased numbers of private registered training providers. IBAC noted the increased number of private providers in the Victorian training market, following Government policy reforms of VET, placed added pressure on TAFE providers to maintain their market share and to compete on price. The period leading up to the events under investigation was also marked by Government decisions to reduce the funding base to Victorian TAFE providers and to enable private providers of VET greater

access to government-funded training places in Victoria. IBAC acknowledged these matters in its Report.

In December 2017, IBAC released the Report of its investigation, *Operation Lansdowne: An investigation into allegations of serious corruption involving Victorian vocational education and training, and public transport sectors* (the Operation Lansdowne Report).

Recommendation 1 of the Operation Lansdowne Report is as follows:

The CEOs of South West Institute of TAFE and Bendigo Kangan Institute of TAFE to provide IBAC with reports by 31 December 2018 on how they have addressed the issues identified in Operation Lansdowne, including

- *how they have strengthened systems and controls for overseeing third-party agreements,*
- *ensuring compliance with those agreements, and*
- *implementing stronger controls around student proof of identify.*

This document stands as the Report to IBAC from BKI's CEO.

2. BKI Response to Relevant Findings of Operation Lansdowne Recommendation 1

As the outcomes of the Operation Lansdowne investigation unfolded, BKI recognised the need to take immediate actions to strengthen internal approaches to governance and re-establish a culture that demonstrated zero tolerance of fraud and/or corruption and where all staff act with integrity. The initial tranche of these actions were taken in response to testimony given in public hearings that were completed in July 2017.

2.1 Strengthened systems and controls for overseeing third party agreements

2.1.1 Immediate response to existing third-party agreements

Following completion of the Operation Lansdowne public hearings in July 2017, BKI's CEO commissioned a review of all third-party government funded workplace training delivery and assessment arrangements current at that time. The scope of the review targeted accredited workplace training and assessment arrangements outsourced to third parties.

The review identified shortcomings in managing and monitoring current third-party workplace training arrangements. The BKI CEO believed that the risk to BKI's reputation of any further third-party breach was unsustainable and hence took the decision to exit such arrangements following a planned transition process

As an outcome of this decision, BKI implemented a plan to transition from third party workplace training arrangements to managing and delivering this training entirely by BKI staff. The plan focussed on teach-out¹ provisions to ensure that no students enrolled for a qualification through BKI third party arrangements would be disadvantaged in terms of being able to complete their training in a timely manner and to a quality standard. In June 2018 BKI exited from all its eight third-party workplace training arrangements.

¹ Teach-out refers to BKI staff directly managing students' continuing enrolment, training, assessment and course completion where the training had previously been auspiced to a third party.

2.1.2 Strengthening systems and controls

In July 2018 BKI next reviewed all other BKI third-party arrangements for VET in Schools (VETiS) and transnational training delivery. This review identified shortcomings in BKI oversight and monitoring arrangements and recommended rectifications. The CEO accepted the review findings and recommendations and implemented a program of rectifications. As a result, BKI has exited some third-party training VETiS arrangements and strengthened contractual requirements regarding monitoring of training and assessment against national Standards for other VETiS and Transnational programs. Revised policy and procedures have now been adopted for all BKI third-party arrangements.

2.2 Ensured compliance with third party agreements

In addition to enhanced compliance and monitoring processes for third party agreements, BKI undertook additional initiatives:

- Replace the BKI Innovation Panel with the BKI Business Board and enhance the role of BKI Board of Studies,
- Develop a BKI Integrity Framework including a Fraud and Corruption Policy, and
- Implement Three Lines of Defence risk management model.

2.2.1 BKI Business Board & Board of Studies

In 2017, at the time of the IBAC investigations, the then BKI Innovation Panel was responsible for assessing new business opportunities involving third-party arrangements. In response to the findings of the Operation Lansdowne hearings, an internal review determined to replace the Innovation Panel with a new entity titled the BKI Business Board. This new Board is chaired by the Chief Commercial Officer and has senior representation from across the Institute. The Board has adopted a more rigorous five-phase model for evaluation of new potential business opportunities. Risk based decision-making and ongoing performance monitoring and review now form a major part of BKI's Business Board activity. BKI's Board of Studies has also been reviewed, membership enhanced and its Charter reviewed. The relationship between the Business Board (which evaluates the viability of new business opportunities) and the Board of Studies (which evaluates the academic quality of new business opportunities) has been clarified in the consideration of new business opportunities. The Board's Education Committee oversees the activities of both the Business Board and the Board of Studies.

In August 2018, the BKI Board of Studies approved a new comprehensive DET Funding Contract change process. The process has been implemented and ensures obligations under DET Funding Contracts are fully communicated to all parties by requiring:

- all new funding contracts and any contract changes to appear on the Board of Studies Academic Compliance Committee (ACC) agenda and minutes,
- an action plan and communications plan is developed for all major changes as determined by the ACC, and
- all contract notifications are published on a BKI shared site for staff.

Compliance with requirements is actively monitored by:

- initial assessment of requirements by BKI's Registrar and the Manager of Academic Governance and Quality, and

- assessing all implementation by a relevant audit officer reporting back to the ACC.

Concurrently, DET advised of updated processes implemented for registered training providers requiring prior written approval of any sub-contracting arrangements.

2.2.2 BKI Integrity Framework

In June 2018, the BKI Board endorsed the BKI Integrity Framework, which articulates the foundations for driving a culture of integrity, ethical decision-making, accountability and respect across the organisation. The Board believed it was important that the various changes being developed in response to the Operation Lansdowne findings needed to be seen as part of an overarching organisation-wide integrity strategy.

BKI's Integrity Framework brings together key strategies and actions designed to prevent, detect and respond to incidents (or suspected incidents) of fraud and/or corruption. The key components of the Integrity Framework are:

- robust systems with clear policies, procedures and expectations regarding conduct and behaviour,
- ethical leadership culture and leadership practice that models integrity and revolve around BKI's values, and
- employees understand their obligations and how they can best contribute to a culture of integrity, accountability, trust and respect.

The implementation of the training of all staff about the Integrity Framework and its implications for their activities within BKI is programmed for 2019.

2.2.3 Fraud and Corruption Policy

An immediate response to the Operations Lansdowne Report was the commissioning of a detailed review and major reform of the Institute's approach to management and control of fraud and corruption. The review and reform process led to creation of a new Fraud and Corruption Policy as a key component of a new BKI Integrity Framework.

BKI has now implemented proactive measures designed to reduce the risk of fraud and corruption occurring. These measures include:

- progressively updating Institute-wide policies and procedures, including redeveloping BKI's Fraud and Corruption and Other Losses policy and procedure,
- introducing mandatory annual Fraud and Corruption Awareness training for all employees and as part of induction for new employees:
 - understanding what fraud and corruption looks like in vocational education and training,
 - accessing BKI's Fraud and Corruption Policy and what the policy means,
 - understanding internal and external reporting processes for fraud, corruption and other losses,
 - understanding the role of BKI's Protected Disclosure Officer, and
 - accessing BKI SpeakUp and other resources.

BKI reporting mechanisms have been designed to detect fraud and corruption incidents before they occur, or as close as possible to the time when they occur.

BKI has initiated a number of actions to support staff to speak up about incidents, or suspected incidents, of fraud and corruption:

- incorporating BKI SpeakUp training into BKI's Fraud and Corruption Awareness online training program,

- updating of BKI’s Human Resources grievance procedure to reflect a new and independent grievance escalation path,
- identifying BKI’s Protected Disclosure Officers, and implement a process for them to receive complaints,
- Targeting a link on BKI website ‘Feedback/Complaints’,
- Centrally managing complaints and grievances through BKI’s Academic Governance and Quality business unit.

BKI has strengthened its response to fraud and corruption incidents via a new fraud and corruption response program designed to investigate incidents, take any necessary corrective action, impose sanctions, and remedy any harm caused.

2.2.4 Three Lines of Defence Risk Management Model

Another priority action by BKI has been the adoption of an Institute-wide ‘Three Lines of Defence’ Model to risk management. The Model is commonly used by other Victorian Public Sector entities and more broadly in the private sector as a model approach to effective risk management and control. Operation Lansdowne highlighted deficiencies in both BKIs compliance regimes and approach to risk management. Hence BKI’s adoption of the model has led to a strengthening of BKI’s fraud, corruption and compliance monitoring, and prevention and detection controls across the Institute. The Model has been adopted and implemented from both a corporate and an academic perspective. Its adoption is resulting in the implementation of a more cohesive and coordinated approach where all BKI business units are required to work together with a common understanding of how to mitigate and manage risk.

Three lines of defence model

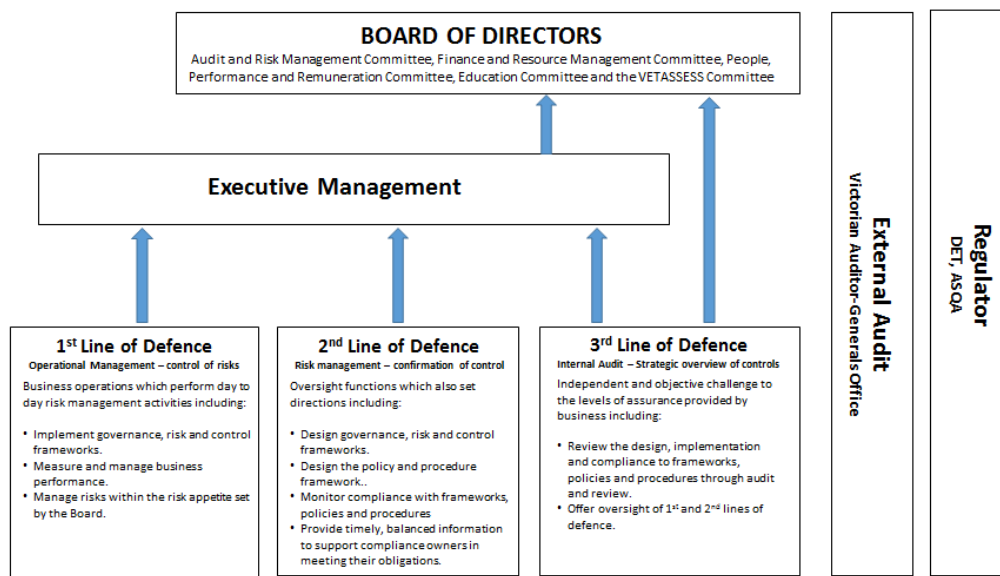


Figure 1: Bendigo Kangan Institute Three Lines of Defence Risk Management Model

The **first line of defence** in the Model builds in operational management controls that embed built in quality approaches into daily business activities of staff at a local level. The goal being to provide the foundation for all business activities by staff being able to identify risks, escalate issues and implement corrective actions. Controls have been put into place to highlight compliance breakdowns, inadequate processes and unexpected events. A new Compliance Framework has been

developed to ensure that compliance obligations are mapped and understood. Compliance responsibilities have been identified for BKI managers and accountable employees to ensure they are aware of and meet the compliance obligations required of their roles.

The **second line of defence** in the Model are those functions that provide stronger governance and specialist support to the first line of defence and within BKI includes such functions as the Board of Studies, Business Board, Legal and Risk Policy Team, Finance, Human Resources, ICT through advisory roles, and training and development activities. In early 2018, the BKI Board approved improved both its own and the internal governance arrangements of the Institute to provide clear definitions of accountabilities, strong and clear lines of communication and advice, training and development opportunities and the identification of individual supports to staff across BKI. The new second line of defence arrangements have been designed to strengthen governance functions and quality assurance processes, and to guide the building and monitoring of operational processes and controls that identify and respond to risks as they occur.

The **third line of defence** is a program of internal and external assurance. BKI's internal audit program tests the effectiveness of governance, compliance and internal controls, including the way the first and second lines of defence manage risk, achieve compliance and operate appropriately.

The newly established Academic Governance team leads internal audits of the compliance of student records, and compliance of VET programs against DET Funding contracts, national training package requirements, ESOS Act and National Code, and ASQA /VRQA standards. The results of those audits are analysed and used to drive continuous improvement in the design and delivery of training programs and/or operational arrangements.

In 2018, a new stand-alone internal audit manager position was established within the Legal, Risk and Policy function to strengthen the internal audit capacity of BKI to better monitor and validate the effectiveness of its operations across its corporate and academic functions. The internal audit function reports to the Board's Audit and Risk Management Committee.

External audits by BKI's regulators and funding bodies, such as VAGO, ASQA and DET (HESG), could be considered an enhancement of BKI's third line of defence, by providing an additional layer of independent and objective analyses of BKI's compliance functions and hence further strengthening the Institute's Three Lines of Defence Model.

2.3 Implemented stronger controls around student proof of identity

A Student Records Improvement Program (SRIP) was established in early February 2018. SRIP launched a one-year initiative to strengthen enrolment compliance across BKI and to improve the BKI student experience. SRIP's aim over the course of its one-year remit is to identify and implement student processes which deliver improved quality, timeliness and accuracy of student records.

Responsibilities have been centralised for vetting all enrolment data (including eligibility of enrolment) and entering this data into BKI's Student Management System to a single unit - BKI's Recruitment and Enrolment Centre. BKI's revised third party policy and procedures ensure that no third-party performs enrolments or provides enrolment information.

BKI's enrolment process, including student proof of identity requirements, has been strengthened by introducing photo identification for onshore enrolments in Semester 2, 2018. This new approach will be implemented in 2019 for all enrolments. This action exceeds the current requirements of the DETs Funding Contract and provides a control point for verifying authenticity of student information at enrolment and throughout the program of training and assessment.

Skype enrolment interviews will be introduced for offshore enrolments in 2019. BKI staff will complete the entire enrolment process, including pre-training review, and sighting and retaining evidence of eligibility and identification.

Further to this, development and training of Authorised Enrolment Delegates (AED) in teaching portfolios has been implemented to strengthen understandings of contract eligibility requirement and proof of identity requirements.

In third party arrangements (VETIS and Transnational – non-government funded only) where training and assessment is undertaken by the third party, onsite inspections of the facilities, the students and validation of the delivery and assessment has been built into all third-party related policies and procedures. These programs are also subject to annual reviews by the Business Board (viability) and the Board of Studies (quality).