Victoria State Government | Education and Training

BUILDING CONFIDENCE IN OUR SYSTEMS AND CULTURE:
INTEGRITY REFORM IN THE DEPARTMENT OF EDUCATION AND TRAINING

IBAC Recommendations

Recommendation 1

The Secretary of the Department to provide IBAC with a detailed progress report by 30 December 2016 on the implementation of its reform program to address the issues identified during Operation Ord and a final report demonstrating the effectiveness of these reforms by 30 September 2017. These reports will be published on IBAC's website.

Executive Summary — **p. 6**

Recommendation 2

The Secretary's reports are to advise on actions to strengthen integrity and corruption prevention across the Department (including schools) in relation to the following issues, inter alia:

Section 1 Policy
1. The integrity framework — **p. 13**

Recommendation 2.A

All employees' understanding of and compliance with public sector values and the code of conduct, and departmental policies and procedures related to conflicts of interest, declarable associations, and gifts and benefits.

Section 3 People
5. A culture of integrity and respect — **p. 33**

6. Ethical leadership — **p. 37**

Recommendation 2.B

Employment policies and practices, including pre-employment vetting of prospective employees and regular revalidation for employees in identified positions, the potential for rotation of employees in identified positions and executive roles, and any steps taken to improve disciplinary and dismissal processes for employees found to have engaged in serious misconduct or corruption

Section 3 People
7. Staff support and development — **p. 41**

6. Ethical leadership — **p.37**

Section 2 Process
4. Improved controls — **p. 27**

Recommendation 2.C

Financial management, procurement and contracting systems and controls, and associated employee training and compliance measures

Section 2 Process
3. Improved systems — **p. 23**

Recommendation 2.D

School governance and financial management arrangements, including the proposed new model to deliver 'shared services' to schools (i.e. any new approach to program coordinator schools) and relevant policies, procedures and other controls

Section 2 Process
3. Improved systems

p. 23

Recommendation 2.E

Audit and risk management programs to provide assurance in areas of identified risk

Section 2 Process
4. Improved controls

p. 27

Recommendation 2.F

Mechanisms to encourage and support employees to speak up and report suspected misconduct or corruption, and to ensure appropriate assessment, escalation and investigation of such matters

Section 3 People
7. Staff support and development

p. 41

Recommendation 2.G

Leadership and management programs to ensure executives are accountable for modelling integrity and public sector values, and to set the right tone at the top.

Section 3 People
6. Ethical leadership

p. 37

Recommendation 3

The Department to undertake a review to identify and audit any schools in addition to those identified by Operation Ord that may have been used inappropriately as banker schools to expend funds on behalf of either regional or central office.

Section 2 Process
3. Improved systems

p. 23

Recommendation 4

The Department to take appropriate steps to exclude people and entities whose behaviour has been found to be improper or corrupt from obtaining work with the Department (including schools) in future.

Section 2 Process
4. Improved controls

p. 27

Secretary's foreword

I am proud to provide the Independent Broad-based Anti-corruption Commission (IBAC) with our first report on the progress of the Department of Education and Training's Integrity Reform Program.

This report confirms to IBAC and the community that the Department is delivering on its promise to restore confidence in our public education system.

Corruption has absolutely no place in Victoria, and especially not in a system that is so important to the lives of Victorians and, indeed, the future of this state.

We owe it to the thousands of children, young people and families we serve to make sure corruption never returns to the Department. This report outlines in detail how we are making good on that promise.

More than preventing corruption, we are delivering sweeping reforms to embed a healthy, high performing and ethical culture in our corporate workplaces and schools.

We are doing so by focusing on four key areas:

- Setting the bar high for **ethical leadership**, starting at the top

- Establishing **good governance** over how we make decisions and oversee public money

- Designing **smart systems and controls** that increase accountability and are easy to use

- Strengthening our **staff development and support** to ensure our people make ethical decisions and feel safe to raise concerns.

We have already achieved a great deal.

In establishing a new leadership charter and development program, we are holding our executives to account for their decisions and conduct. We also supported the Government to introduce new legislation to ensure we can remove staff employed under the Education and Training Reform Act 2006 more swiftly for misconduct whenever it occurs.

In abolishing the program coordination school model, we recalled vulnerable funds from so called 'banker schools' and designed a robust, new funding model to be piloted in 2017. We also overhauled our school audit program, leading to improved assurance of school finances and greater financial management support to schools.

In establishing a whistleblower service, we are supporting staff to speak up about suspected fraud and corruption. We are supporting staff to talk about the public sector values and why they matter across the employment lifecycle: from induction to team meetings and performance discussions.

The Department has adopted the public sector values in the code of conduct for Victorian Public Sector Employees. We have developed a suite of materials about the DET Values to use in offices and schools, such as values-based conversation cards, web resources, and an eLearning module. We start our Executive Board meetings, and other leadership meetings, with 'integrity moments' – where we reflect on our most important value, integrity.

The recent People Matter Survey demonstrated our efforts are working in embedding the DET Values, with 90 per cent of staff indicating awareness of the values, well above the public sector average.

We are only part way along our reform journey, with many significant projects on the horizon, including our efforts to transform procurement processes and practices.

Moving into 2017, the Department will streamline activities to maximise the impact of key priorities and to continue to build a strong narrative for reform. Coordinating a complex and multifaceted program across an organisation as large and dispersed as the Department is a substantial challenge, and we continue to work to deepen our engagement with regions and schools.

We are embedding systems and practices that support our staff with our primary goal: to lift outcomes for Victorian children, young people and families.

Integrity reform is key to improving our public education system, and to do so, with the confidence of the community we serve.

I look forward to updating you on our progress with the next report to IBAC in September 2017.

Gill Callister
Secretary
Department of Education and Training

Executive summary

Victorians rightly demand and expect a public education system in which they can take confidence and pride. The Independent Broad-based Anti-corruption Commission's (IBAC) Operation Ord exposed the corruption of a small number of Department of Education and Training officials, who used public funds to enrich themselves, and at the same time, undermine the system designed to support the education of children and young people.

The Department responded quickly, by establishing a new integrity function and developing and implementing changes to processes and structures necessary to foster integrity and resist corruption. This report details the Department's progress in reforming our culture and processes, to foster an ethical environment in our corporate workplaces and schools.

The Integrity Framework fosters systemic change throughout our corporate offices and our schools, establishing model behaviours and an ethical culture for our people, supported by clear and transparent processes and systems.

We are moving from an ethically neutral to an ethically positive culture

The vast majority of our people do the right thing every day. We are creating an environment that actively acknowledges this behaviour, maintains high expectations and explicitly promotes good, ethical decision making in everything we do.

We are embodying our **DET Values** – responsiveness, integrity, impartiality, accountability, respect, leadership and human rights – and ensuring they are explicit in discussions, actions, decision making, relationship building and service delivery. We developed a suite of materials to use in offices and schools, such as values-based conversation cards, web resources, an eLearning module and 'Integrity moments' in meetings.

We launched our *Investing in Our People Strategy* in December 2016, providing a framework for our vision for our Victorian Public Service (VPS) staff. The strategy maps out our intentions and proposed actions for recruitment, professional development, people management and cultural change. We will assess the success of these measures via staff surveys.

Ethical leadership starts at the top

Our departmental leaders are the key to establishing an environment that encourages open, transparent and ethical behaviour.

All senior leaders have committed to a leadership charter, which sets out our commitment to living the values and modelling the behaviours the community rightly expects. The charter guides how Department leaders work, make decisions, form relationships and bring out the best in staff. Drawing on the binding Code of Conduct for Victorian Public Sector Employees, the charter encourages the leadership capabilities Department leaders should strive to have, including leading with integrity. These capabilities are reflected in executive performance development plans, position descriptions and induction materials.

Further, the recently established Executive Officer Development Centre includes activities to assess and develop each executive officer's ability to lead with integrity.

Everyone can be an 'ethical leader', so we are supporting staff at all levels to lead ethically:

- We have **Integrity Leadership Groups** in each of our four regions and in central office that drive the Integrity Reform Program from the ground up. These groups bring together people from schools and offices who are acknowledged as ethical leaders. The groups meet regularly to discuss and consult on changes and improvements being made by the Department, and act as champions of integrity within their workplaces and networks.

- Each region also has an **Integrity Liaison Officer**, who coordinates the Integrity Leadership Groups, contributes to the Integrity Reform Program and acts as a local point of integrity advice for staff.

- We are developing and implementing **career pathways** for senior school staff and principals, to foster healthy networks, retain good people and better connect schools and corporate offices. We are also rolling out a program to **rotate executives to increase knowledge sharing and prevent unhealthy networks from forming.**

- Our **Conflict of Interest (COI) framework** gives employees practical information and advice on ways to manage day-to-day COI situations, such as giving and receiving benefits, and employing a family member.

- We developed an **Ethical Decision Making Guide** and model, which provides practical advice about how to make good choices in ethically challenging situations. The model is embedded in existing training programs for staff, and we are examining other ways to increase staff awareness about the model and encourage them to use it.

- We are **supporting our staff**. We have included DET Values in position description documents that describe each employee's responsibilities, to ensure our people have the right skills, values, qualifications and experience. Our induction program also includes a dedicated session on Working with Integrity. Employees must include performance measures related to DET Values in their performance development plans.

- We are developing a **capability framework** for business managers, which will include integrity and ethical practice as part of agreed professional standards. We are also developing new **professional development** courses for principals, business managers and school councils on legal, financial, people and asset management.

We're making it easier for staff to 'Speak Up'

Staff concerned about behaviour or improper conduct need a safe and easy-to-use avenue to report their concerns. They also must have confidence that they will be supported and that their concerns will be taken seriously. We launched the Speak Up service in December 2015, so staff can report their concerns confidentially and anonymously to an external provider.

We have also improved our complaints handling processes, to better assess and refer matters, and ensure our approach embodies the principles of inclusion, respect, transparency and empathy.

We are developing strong, smart and intuitive systems

Good governance, transparent procurement systems and transparent funding arrangements create an environment that encourages and allows our staff to operate efficiently and effectively, and deliver the public education services Victorian deserve.

We have a number of initiatives to improve our systems, some still underway:

- A **new operating model for the Financial Services Division (FSD)** clarifies the finance functions, as well as the roles and responsibilities for staff. The new model, which will be implemented in April 2017, includes compulsory training for financial delegates.

- Our new **corporate procurement operating model**, which is being developed, will make procurement easier and more efficient for the Department's business units, build capacity and expertise in procurement, assure probity and deliver value for money. At the same time, our staff will receive comprehensive guidance on the expected behavioural principles, attitudes and purpose of robust procurement practices.

- Our **new school procurement framework** promotes consistent purchasing practices, minimises probity risks and increases value for money. It includes improved systems and guidelines, training and support programs, data analysis tools and reporting. It also streamlines processes and reduces red tape, to make purchasing easier and clearer for principals and school business managers. Implementation is expected to start in 2017, using a phased approach.

- **We ceased the central and regional funded Program Coordinator Schools (PCS) 'banker schools'**, and reconciled all PCS funds (valued at approximately $6 million).

- We developed **new acquittal arrangements for the Student Resource Package (SRP)**. Most funding for schools is received through the SRP, which derives a funding amount for each student and school based on a range of evidence-based factors. Under the new acquittal arrangements, principals must acquit expenditure and confirm it has been used for its intended use.

- We reviewed school funding governance, resulting in a **new school 'targeted' funding model**, which will be piloted in 100 schools in 2017. Instead of receiving targeted funding in advance, program areas will either pay for goods and services, or schools will apply to program areas for reimbursement. The pilot schools will receive hands-on support from the Department as they build a closer working relationship between the officers who administer the programs and the school staff who deliver them.

- We are building the capability of **school councils** and strengthening school governance advice. The Department's school council training package *Improving School Governance* has reached over 5,340 participants across nearly all Victorian government schools.

- We are reviewing **travel, fleet and fuel card policies.** We will release new policies in 2017, based on Victorian Government directions and feedback from schools and corporate staff.

We are putting in place appropriate controls

As well as appropriate systems, we need appropriate controls, to ensure our people understand and fulfil their obligations.

We developed a new **Risk Management Framework**, based on three lines of defence. The framework clearly articulates the responsibilities of operational managers who own and manage risks (first line) and clearly outlines the operational separation of risk (second line) and audit (third line). Through increased training and leadership, we are also shifting the organisational risk culture from administrative to strategic.

To enhance the third line of defence, we designed and completed a **new, more rigorous school audit program**. We trialled the program on a representative sample of 269 schools, focusing on:

- locally raised funds

- cash, deposits, investments and banking activities

- expenses and accruals

- fixed assets

- local payroll

- school council governance.

The findings demonstrated an improved level of assurance across the Department. We will continue to improve the program and make it more flexible.

Under **new legislation**, we can more quickly, effectively and confidently remove staff employed under the *Education and Training Reform Act 2006* for serious misconduct.

We are also reviewing our **compliance obligations,** covering applicable legislation, regulations, standards, guidelines and policies. Based on this review, we will develop a new compliance framework, which will form part of business as usual processes in 2018.

Acronyms and abbreviations

Term	Definition
BFMC	Budget and Financial Management Committee
CAATs	Computer-aided Audit Tools
COI	Conflict of Interest
DET	Department of Education and Training
EDRC	Executive Development and Remuneration Committee
ERP	Executive Rotation Program
ETRA	*Education and Training Reform Act 2006*
ETRA Amendment Act	*Education and Training Reform Amendment (Miscellaneous) Act 2016*
FSD	Financial Services Division
GBH	gifts, benefits and hospitality
IAD	Integrity and Assurance Division
IBAC	Independent Broad-based Anti-corruption Commission
IC	Integrity Committee
IMTC	Information Management and Technology Committee
KEEP	**K**now what is expected, **E**ducate and guide, **E**nsure we do the right thing, **P**rotect our education system
PARC	Portfolio Audit and Risk Committee
PCS	Program Coordinator Schools
PD	position description
PDP	performance development plan
PEC	Performance and Evaluation Committee
PIAP	Portfolio Internal Audit Plan
PIC	Policy and Implementation Committee
PPC	Procurement and Probity Committee
RMF	Risk Management Framework
SCFA	School Council Financial Audit
SRP	Student Resource Package
TSSP	Technical Support to Schools Program
VAGO	Victorian Auditor-General's Office
VPS	Victorian Public Service
VPSC	Victorian Public Sector Commission
VSB	Victorian Secretaries Board
WDCC	Workforce Development Culture Committee
WoVG	Whole of Victorian Government

Contents

SECTION 3: PEOPLE

SECTION 1:
POLICY

1 Integrity Framework

Through the Operation Ord hearings, the Independent Broad-based Anti-corruption Commission (IBAC) confirmed the Department needed to:

- strengthen our integrity and corruption prevention
- cultivate a culture of integrity underpinned by clear accountabilities and behavioural expectations
- assure that employees understand and comply with integrity policies and risk controls.

Achieving cultural change and meeting our integrity reform objectives comes through actions that promote ethical leadership and behaviours, and strong systems to enable and support integrity.

A new Integrity Framework

The Department's Integrity Framework will provide a conceptual foundation to develop and sustain mature integrity systems. It will leverage the work and tone of the Integrity Reform Program, while also providing a basis for business as usual integrity management. Specifically, the framework provides the Department's ethics infrastructure: the instruments, processes and structures we engage to foster integrity and resist corruption.

The Integrity Framework facilitates integrity actions that are:

- targeted to integrity risks
- effectively implemented and sustained
- monitored to inform continuous improvement
- experienced by staff as cohesive, informed and effective.

The Integrity Framework embodies three principles (values, ethical leadership, and compliance and assurance) and four 'KEEP' actions:

- **K**now what is expected
- **E**ducate and guide
- **E**nsure we do the right thing
- **P**rotect our education system.

The Integrity Framework has four core functions that reflect the four 'KEEP' actions: policy, guidance, monitoring and assurance.

Integrity policy: setting expectations

Integrity policies are an important integrity risk control for the second line of defence. They establish the control environment: regulatory accountabilities, values-based behavioural expectations, and integrity risks in context. The three lines of defence risk management model is discussed in chapter 4, *Improved controls*. Policies that are core to the Integrity Framework have:

- regulatory minimum requirements to prevent fraud and corruption
- values-based expectations set out in the codes of conduct
- a role in addressing significant organisational integrity risks that require proportionate controls.

Based on these criteria, our core integrity policies are:

- fraud and corruption control
- Speak Up and protected disclosures
- Conflict of Interest (COI), including declarations of private interests and related aspects of recruitment and selection, and secondary employment
- gifts, benefits and hospitality (GBH)
- sponsorship
- probity in procurement.

We also identified other complementary integrity policies that have significant integrity touch points: procurement, complaints management, grants management, travel policy, motor vehicles and fleet, and financial risk management.

We are taking a coordinated approach to systematically reviewing and refreshing our core and complementary integrity policies, to clarify regulatory accountabilities, values-based expectations, and integrity risks in context.

Reinforce regulatory accountabilities

Our review of core integrity policies depends on and is informed by the evolving minimum accountabilities within Whole of Victorian Government (WoVG) policies and frameworks, including:

- *COI and GBH* – Under direction from the Victorian Secretaries Board (VSB), the Victorian Public Sector Commission (VPSC) reissued these WoVG policy frameworks in late 2016.

- *sponsorship* – The Department of Premier and Cabinet is expected to reissue the WoVG sponsorship policy shortly.

- *probity in procurement* – The Department of Treasury and Finance is expected to release a new Supplier Code of Conduct shortly.

The Department will adopt revised WoVG policy and tool templates (e.g. declaration forms) to ensure that refreshed internal policies align with the spirit and letter of evolving WoVG integrity directions. COI are discussed further in chapter 6, *Ethical leadership.*

Clarify values-based expectations

We are hardwiring values-based expectations within our integrity policies, procedures and guidance materials. The DET Values are central to the Integrity Framework, reinforcing the Victorian Public Service (VPS) values and the Code of Conduct for Victorian Public Sector Employees. The DET Values are: responsiveness, integrity, impartiality, accountability, respect, leadership and human rights.

Integrity policy reviews support our staff to apply the DET Values through:

- *universal behavioural expectations across corporate and schools* – which require all staff to demonstrate the DET Values in their leadership, decisions and actions

- *reflecting DET integrity risks* – which include controls for risk-sensitive roles and functions, and for external stakeholders where relevant

- *best practice guidelines tailored to the educational context and ethical dilemmas in practice* – which are informed by risk mapping and stakeholder feedback.

Guide integrity: develop ethical capability

Statements of rules and values are necessary, but they are not enough to ensure ethical capability. As an organisation, we must guide our staff on appropriate behaviour via many channels, including example-setting by management, education and training to develop ethical competence, advice and counselling, and communications.

We started the following projects under our Integrity Reform Program throughout 2016:

- implementing a Leadership Charter

- developing a Leadership Capability Framework

- establishing an Executive Officer Development Centre

- delivering integrity training

- promulgating an ethical decision making model.

These projects are discussed further in chapter 6, *Ethical leadership.*

Monitor integrity: robust first and second lines of defence

Monitoring integrity compliance and performance ensures we are answerable for our decisions and actions as individuals, and as a Department overall. The Department maintains integrity risk and compliance management programs to help build and monitor management controls, to ensure they are properly designed, in place, and mitigate risk as intended. Passive monitoring occurs through, for example, Speak Up processes (our fraud and corruption reporting service for staff), culture surveys, and analysis of public complaints. Active monitoring occurs through early warning systems, noncompliance monitoring and mapping, and integrity risk reporting and management.

Within the core integrity policies, first line of defence occurs primarily through declaration and delegate oversight. Second line of defence occurs primarily through oversight of declaration registers and risk-based reporting to senior management and committees.

WoVG declaration and register processes are either mandated or recommended for COI, GBH, sponsorship, private interests, and secondary employment. Key themes of recent WoVG integrity directions include a requirement for evidence of regulatory compliance, and risk-based monitoring and reporting. The Department is adopting the recently revised WoVG template declaration and register tools, via our review of integrity policies.

Departmental integrity actions in progress that strengthen our integrity performance monitoring include:

- establishing our Integrity and Assurance Division (IAD), including a Fraud and Corruption Control function and a Performance and Coordination function

- implementing a new Speak Up framework and supporting processes

- developing an IAD data analytics strategy and reporting framework

- strengthening and enhancing our complaints management process

- establishing a compliance function and supporting processes

- developing and implementing a three lines of defence risk management model

- strengthening the second line of defence function within the Financial Services Division.

These initiatives are discussed in chapter 4, *Improved controls*.

The IAD is also developing an overarching integrity performance reporting framework, so the Department's Executive Board can actively monitor and oversee integrity performance and compliance with integrity policies and systems. Integrity performance reporting is an important part of continuous improvement.

Assure integrity: robust third line of defence

Protecting our assets and enforcing integrity assures our stakeholders that we will identify and address misconduct with appropriate consequences. Effective governance, independent audit and external scrutiny are important, as is a timely, fair and consistent system of consequences.

Our third line of defence is supported by clear governance arrangements, risk-based reporting protocols, and a well-targeted audit program that confirms the effectiveness of secondary lines of defence. Several Integrity Reform Program projects that focus on strengthening governance arrangements are discussed in chapter 2, *Good governance*.

A well-targeted internal audit program supports integrity reform and strengthens control environments for areas of weakness identified by Operation Ord. In response to Operation Ord, the Department committed to reviewing processes for managing and detecting conflicts of interest. We will acquit this commitment via an internal audit planned for 2017–18. This internal audit plan and audit reporting is discussed further in chapter 4, *Improved controls*.

The Department has been swift in supporting the Government to deliver new legislation to more quickly, effectively and confidently remove staff for serious misconduct (discussed further in chapter 4*, Improved controls*).

Ensuring impact

Translating integrity objectives into business as usual is a complex, multi-faceted task. To be effective, our approach to ensuring integrity must target serious integrity risks, address identified cultural and systemic weaknesses and vulnerabilities, and enable continuous improvement and organisational learning.

Mitigate integrity risks

To be effective, our Integrity Framework must be specific to our assets, risks and contexts. The Department identified the following integrity risks:

- fraud and corruption
- financial mismanagement
- lack of probity in procurement
- information mismanagement
- poor integrity culture
- improper selection and recruitment
- grooming by organised crime.

These integrity risks can now be selected within the Department's operational risk register and IAD's risk register. Selecting and mitigating these risks within cyclic Department-wide business planning fosters first line of defence controls and accountabilities. Second line risk reporting by the Risk and Decision Branch to the IAD will inform second line of defence oversight and risk-mitigation integrity actions where required. We will report integrity risks against in the Department's impending integrity performance reporting framework (discussed further below).

Maturity assessment of Integrity Framework functions

As discussed above, the Integrity Framework functions align with the KEEP actions: policy, guidance, monitoring and assurance. A working group established in August 2016 is responsible for progressing implementation of the Integrity Framework. The working group developed a protocol to assess the maturity of the Integrity Framework functions and policies. The protocol offers a point-in-time assessment; the first maturity assessment provides an integrity performance baseline, with subsequent assessments examining the maturation of policy, systems and framework functions. We will use recommendations from completed assessments to consolidate our integrity policy systems, including education, communications and second line of defence monitoring.

Enable continuous improvement

Integrity assessment, monitoring and evaluation are central functions of the Integrity Framework. They are managed in a recurring cycle of planning, implementing, monitoring and adapting integrity actions and systems, as illustrated in Figure 1.

Figure 1: Integrity Framework — strategy for continuous improvement
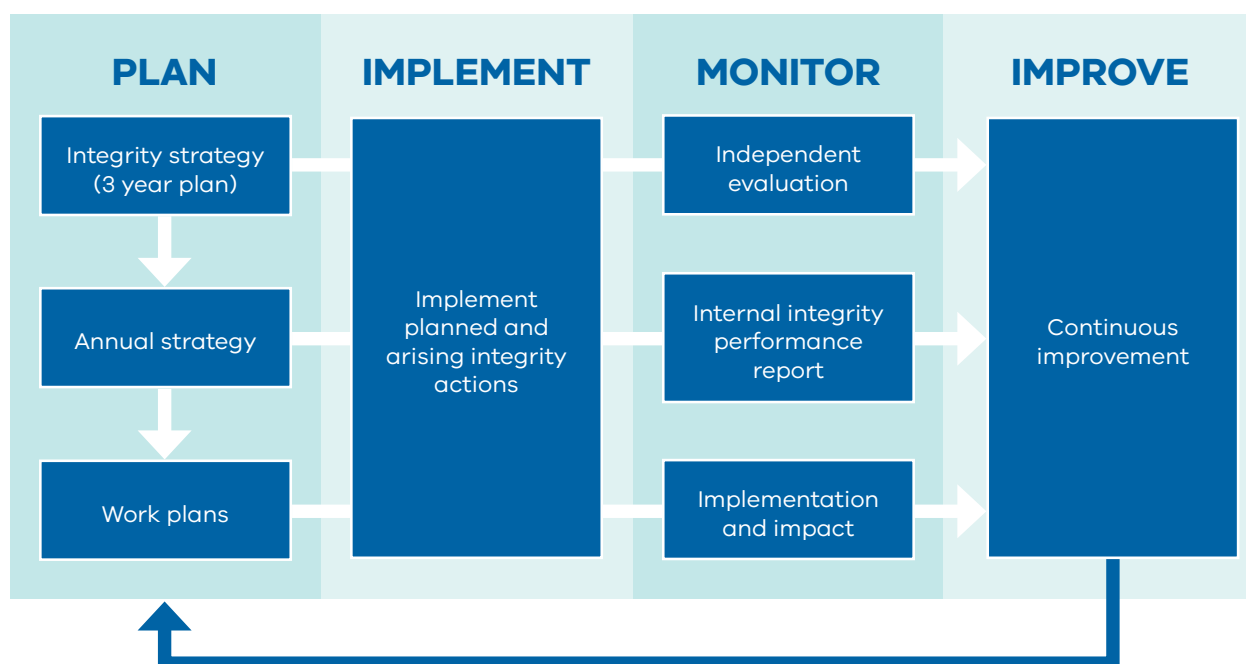
The integrity reform program includes several deliverables related to improved monitoring and reporting on integrity, fraud and corruption, including an overarching integrity performance reporting framework. The reporting framework is in conceptual stages, and should be finalised by mid 2017.

Integrity reporting establishes a process for continuously benchmarking ethical standards, to identify improvements in organisational ethical standards over time, and the impacts and strengths of the Department's integrity systems.

SECTION 2:
PROCESS

2 Good governance

Good public sector governance is:

...the set of responsibilities and practices, policies and procedures, exercised by an agency's executive to provide strategic direction, ensure objectives are achieved, manage risks and use resources responsibly and with accountability.[1]

In line with the Department's commitments in response to IBAC's Operation Ord report, we introduced several initiatives to support good governance, including:

- a new corporate governance model, including new governance committees and associated processes

- strengthened school governance arrangements

- an updated training package for school councillors

- a new division within the Department, the Integrity and Assurance Division (IAD), to manage and deliver integrity actions cohesively.

Corporate governance

Operation Ord identified weak program governance largely caused the vulnerability of the Program Coordination Schools funding model. Following this finding, the Secretary committed to improving the overall quality and accountability of corporate decision making and oversight centrally, including reviewing key corporate committees and high risk processes and functions (Secretary's Legal Statement to IBAC, paras 324–27).

The Department identified some opportunities for improving its governance structures, particularly relating to clarifying decision making authority and remits, mapping the relationships between committees, and strengthening accountability for actions. We then sought to identify and deliver a range of targeted interventions.

In late 2015, the Department's Executive Board approved the new governance committee structures (figure 2) and committed to implementing significant changes to committee processes. These changes aim to bring stronger leadership, more efficient and effective decision making and greater accountability and transparency to the Department's governance processes.

All corporate governance initiatives have now been implemented, with some work occurring in 2017 to embed and use governance tools and processes maturely.

Executive Board

The Executive Board provides stewardship for the Department and whole-of-organisation advice to the Secretary and Ministers as ultimate decision makers. The Board assists the Secretary with strategic leadership of the organisation, its agencies and the Department's portfolios, including vision, purpose, strategic direction and objectives. As part of the broader corporate governance reforms, the terms of reference for the Executive Board were revised to include clearly articulated departmental oversight and management accountabilities and greater engagement with committee operations via regular formal reporting from its supporting committees.

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1   This definition was reiterated in the Australian Public Service Commission's 2007 *Building better governance* report, and was originally from ANAO and Department of the Prime Minister and Cabinet 2006, *Implementation of programme and policy initiatives: making implementation matter, Better practice guide*, Commonwealth of Australia, Canberra, p. 13.

Figure 2: New executive committee structure

Secretary	Executive Board	Education State Board (time limited)
Integrity Committee	Budget and Financial Management Committee	Policy and Implementation Committee
Portfolio Audit and Risk Committee	Performance and Evaluation Committee	Information Management and Technology Committee
Executive Development and Remuneration Committee	Procurement and Probity Committee	Workforce Development and Culture Committee

Committee model

We developed and implemented an improved committee model to support the Executive Board. The model includes:

- *clear accountabilities* – with all terms of references revised to clearly articulate each committee's remit and accountability

- *greater decision making authority* – with committees expected to act as decision making delegates of the Executive Board rather than advisory bodies, with clear parameters about what is referred to the Board for approval and what can be approved by a committee

- *an annual work plan* – to ensure each committee maintains their strategic focus

- *regional representation on committees* – to ensure all areas of the Department are represented and to improve links between service delivery and policy

- *an online centralised governance portal* – which is a repository of information on governance issues, and which also functions as an online committee paper access system

- *review and development of committee performance* – including KPIs and assessment of individual member contributions

- *cross committee communication* – which is a formalised processes to eliminate silos, by ensuring information exchange is transparent and collaborative

- *an ability to co-opt specialist advice* – to ensure the Department draws on the best available expertise and to build and maintain understanding of market leading practice and knowledge.

Integrity Committee

The new Integrity Committee oversees the Integrity Reform Program developed in response to IBAC's Operation Ord report. The committee is chaired by the Secretary and includes four other members of the Executive Board, plus two independent members with expertise in integrity matters. The committee's mandate includes:

- guiding expectations under the VPS Code of Conduct, corporate policies, and relevant legislation governing integrity and ethics

- monitoring, performance, and inter-relationship between the Department's integrity and corruption prevention functions, including protected disclosures, employee conduct and ethics, audit, legal services, IBAC, fraud and special investigations

- managing issues or risks relating to external integrity bodies

- managing complaints and reporting systems for internal staff, including overseeing effective whistleblower arrangements

- ensuring integrity controls in government schools and DET central and regional office locations, including support for financial management and acquittal processes

- monitoring staff compliance with ethical standards, and enforcing these standards

- leading the development of a values-led culture.

The committee reports regularly to the Executive Board.

Procurement and Probity Committee

The Procurement and Probity Committee has a stronger emphasis on governance than its predecessor, strengthening the processes governing procurement proposals, based on the proposal's complexity, risk and value. The committee has an independent chair without line management responsibility for procurement. Membership terms are now shorter, with only the Chair and the Executive Director of the Procurement Division appointed as permanent members. Remaining members are appointed for a maximum of two years.

Portfolio Audit and Risk Committee

The Portfolio Audit and Risk Committee (PARC) help the Secretary to fulfil governance responsibilities and obligations under the *Financial Management Act 1994*. Initially established in 2003 (then known as the Portfolio Audit Committee), the committee's governance arrangements, including the terms of reference, capabilities, and issue escalation options were reviewed and enhanced in response to the IBAC's Operation Ord findings (Secretary's Legal Statement to IBAC, para 98).

PARC oversees and advises the Secretary on governance, risk management, audit and control assurance activities. Several initiatives have improved PARC governance and reporting arrangements, including:

- *terms of reference* – which are reviewed and updated annually, and then endorsed by the Secretary

- *membership* – which comprises an independent chair, three independent and two Departmental members, in line with requirements under the Act

- *new skills matrix* – which identifies the skills of members across categories of competencies, to ensure the committee membership has right balance of skills and diversity. The skills matrix will be refreshed annually, to identify any gaps requiring further training and to help with appointing new members

- *issue escalation* – which is a new process that clarifies the chair's ability to escalate matters beyond the Secretary (if deemed appropriate)

- *meetings with the Secretary* – where the chair meets privately with the Secretary to discuss important matters. This approach allows independent, objective dialogue between the chair and the Secretary in the absence of senior departmental managers.

These activities improved the PARC's governance activities and meet the Department's commitments in response to Operation Ord. This initiative is largely complete, with new processes embedded as standard operating procedures for future years.

School governance

School councils play a key governance role in Victorian government schools. School councils endorse key school planning, evaluation and reporting, including the School Strategic Plan, the school budget and the annual report to the school community. The Department is ensuring a clearly documented and robust governance and controls framework and clear accountabilities for school councils. We are clarifying roles and responsibilities for our school councils and ensuring greater transparency and oversight of program funding to schools.

School councillor training

The Department is committed to building the capability of school councils and councillors, by:

- strengthening school governance advice and support materials

- providing more effective school councillor training, to help school council members fulfil their critical roles.

The Department's school council training package, *Improving School Governance,* reflects strong integrity messaging, financial management responsibilities and processes, and emphasis on ethical capability to identify and manage integrity risks. Topic modules include governance, school council president, finance, policy and review, and strategic planning. Training modes and tools include face-to-face training for school councillors, online training and accessible guidance materials tailored for school councillors. In the past year, over 5,340 participants attended school councillor training across nearly all Victorian public schools.

Integrity and Assurance Division

As part of the Department's Operation Ord commitments, the Department established the IAD, to lead, strengthen and sustain a consistent culture of integrity and assurance across Department offices and schools.

- The Division's Integrity Branch and Integrity Reform Program leads the Department's focus on integrity reform and integrity performance, and investigations of apparent misconduct and reportable conduct.

- The Division's Assurance Branch provides internal audit and coordinates the Victorian Auditor-General's Office performance audits and departmental reviews.

External service providers complement the division's internal resources under a co-sourced model. This arrangement gives the Department access to leading methods, tools and subject matter experts.

The division is delivering many of the ambitious reforms under the Integrity Reform Program, as well as developing more mature business as usual systems to mitigate integrity risks and improve the Department's integrity performance (as discussed in chapter 1, *Integrity Framework*).

3 Improved systems

IBAC's Operation Ord found many of the Department's systems and processes were inadequate, including systems used for financial services, procurement, funding governance, staff travel, fleet vehicles and fuel cards. These failings allowed unscrupulous individuals to exploit the vulnerabilities in the Department's systems over an extended period. In line with the Secretary's commitments, the Department introduced several initiatives, some of which are still underway, to improve the Department's systems, including:

- a new operating model for the Financial Services Division (FSD)

- a new corporate procurement operating model

- a new school procurement framework

- cessation of the central and regional funded Program Coordinator Schools (PCS) program, with all PCS funds reconciled

- an annual acquittal of the Student Resource Package (SRP)

- a school funding governance review resulting in a new school 'targeted' funding model

- a review of travel, fleet and fuel card policies.

Proposed new operating model for the Financial Services Division

IBAC noted weaknesses in the FSD operating model, including gaps identified in its analytical capability and skills and second line of defence functionality. IBAC also identified cultural issues, where individual staff did not feel supported to challenge or question spending, particularly in relation to senior officers (IBAC's Operation Ord report, p. 105). IBAC also suggested establishing clear linkages between FSD and divisional business planning and budgeting processes.

In response to the IBAC Operation Ord hearings, the Secretary committed to strengthening the Department's financial control environment by:

- ensuring the division acts as policy makers for financial related transactions and activities

- assessing compliance with departmental financial policies and procedures with clear escalation processes for issues

- bolstering FSD's ability to challenge financial decisions of other divisions (Secretary's Legal Statement to IBAC, paras 371 (d)–(e), 432).

The division's current structure was assessed, and a new operating model and supporting structure was proposed, which clarifies the finance functions, roles and responsibilities, and prioritises the second line of defence through oversight functions. We are currently consulting with staff about the proposed model and the associated implementation plan.

The proposed operating model and supporting structure will support financial management capability and expertise at the Department's senior management level through corporate training in financial literacy and by introducing supporting technology.

We expect to implement the new operating model in 2017.

Procurement

IBAC's Operation Ord report found 'a general failure of controls around procurement that contributed to corrupt conduct' (p. 13).

In response, the Secretary committed to improving both corporate and school procurement systems:

Corporate procurement

- reviewing the procurement environment across the Department (Secretary's Legal Statement to IBAC, para 427)

- ensuring all purchases provide value for money and raise no probity or process concerns (para 432)

- developing a comprehensive and mandatory training program for all employees with procurement responsibilities (para 83)

Schools procurement

- ensuring all purchases provide value for money and raise no probity or process concerns (para 33)

- requiring all schools and school councils to comply with purchasing rules (previously these rules were labelled guidelines) (para 26)

- developing a procurement governance and approval framework for schools and school councils (para 32)

- delivering practical support for schools to implement the new procurement framework, for example, by establishing a Schools Procurement Unit in central office for procurement policy advice, support and guidance to schools, as well as online procurement help (para 171).

Corporate procurement

The Department is developing a new corporate operating model to transform corporate purchasing practices and systems. The aim is to make procurement easier and more efficient for the Department's business units, build capability and expertise in procurement, assure probity and deliver value for money. The new model is a fit for purpose centre-led procurement model, making procurement systems more intuitive and less onerous for staff to use. It builds procurement capability and expertise across business units and strengthens the quality and reach of strategic procurement advice.

The proposed model aligns with whole of Victorian Government Purchasing Board supply policies and improves:

- procurement governance

- procurement policies, processes, systems, controls and workflows

- the design and development of training.

Procurement training

The Procurement Mindset course guides participants who will be engaging in procurement activities on the expected behavioural principles, attitudes and purpose of robust procurement practices. The course includes a section on ethical behaviour and DET procurement principles (e.g. value for money, probity, accountability, open and fair competition and risk management).

School procurement

The Department is developing a school procurement framework, to bring strong governance, assurance and value for money to the way schools purchase goods and services. The new framework aims to promote consistent purchasing practices, minimise probity risks and increase value for money. It includes improved systems and guidelines, training and support programs, data analysis tools and reporting. It also streamlines processes and reduces red tape to make purchasing easier and clearer for principals and school business managers.

Schools played a crucial role in developing the framework, with a representative sample of 350 schools providing their input throughout July 2016. Based on stakeholder feedback, the Department developed a preferred framework. A phased implementation of the framework will commence in 2017.

Funding systems

The Operation Ord investigation exposed the abuse of PCS or 'banker schools'. Used legitimately, the PCS facilitated the payment of invoices on behalf of a region or a cluster of schools, such as an area-based student program. However, Operation Ord found certain senior departmental officers used schools to pay illegitimate or inflated invoices, as well as for goods and services unrelated to departmental activities, and inappropriate expenses (IBAC's Operation Ord report, p. 7).

The Department committed to abolish the PCS by:

- immediately ceasing funding of central and regional PCS arrangements, with the exception of binding contracts (Secretary's Legal Statement to IBAC, para 15)

- asking all school principals to identify and return funding transferred through central and regional PCS arrangements (para 20), and

- reviewing the governance of the Technical Support to Schools Program (TSSP) (paras 262, 304)

Cessation of the Program Coordinator Schools model

Program Coordinator Schools

The Department ceased PCS arrangements in 2015, and recalled PCS funds (valued at approximately $6 million) in 2016. To do this, the Department reviewed and identified all PCS arrangements across the state. A PCS exemption register was developed to record binding PCS contractual arrangements. To ensure all PCS arrangements were captured, all schools had to declare funding held outside the SRP, which was reviewed to identify any potential PCS arrangements.

Schools declared all centrally or regionally funded PCS arrangements and 100 per cent of PCS funds were recalled and reconciled from schools, unless allowed to continue (with documented approval from the Secretary). Under new arrangements, departmental program areas retain responsibility for delivering their programs.

Technical Support to Schools Program

The Department also audited a program using a similar funding model, the Technical Support to Schools Program (TSSP). The $49 million a year TSSP (established in 1999) delivered specialist technical support to all Victorian government schools. A review of overall PCS arrangements identified two medium risk findings within the TSSP, covering:

- oversight of unused TSSP PCS funds
- control weaknesses in TSSP invoice and payment process.

The Department reconciled and repatriated unused TSSP PCS funds and instituted additional controls by requiring schools to electronically verify and approve technician timesheets. These actions were completed by August 2015.

TSSP PCS arrangements ceased on 10 January 2016 and funds from all TSSP PCS were reconciled in May 2016. The full repatriation totalling $6.9 million was completed by 24 June 2016.

The program transitioned to a new central accounts payable model in January 2016 and continues to deliver technical support to all Victorian government schools.

Review of additional schools used as banker schools

IBAC's recommendation 3 requested the Department 'undertake a review of, identify and audit any schools in addition to those identified by Operation Ord that may have been used inappropriately as banker schools to expend funds on behalf of either regional or central office' (IBAC's Operation Ord report, p. 15).

As part of ceasing the PCS arrangements, all schools reported and declared any central or regional office funds they held other than through the SRP. Based on this information, the Department identified in January 2016 11 schools that may have been used inappropriately as banker schools. The Department is currently assessing the scope and type of audits to be performed on these 11 schools.

New funding governance

In its findings, IBAC noted that 'the program coordinator school model had much to commend it... however...it is a concept inherently vulnerable to abuse because it involves some degree of devolution of responsibilities and controls... [and] it is essential that the Department adopts a carefully considered approach to any new proposal' (IBAC's Operation Ord report, p. 41).

The Department is currently developing an alternative funding governance model to disburse funds to schools. This new funding model aims to strengthen oversight of targeted or 'grants' funding to schools from allocation to monitoring and acquittal. Targeted funding in 2014–15 represented approximately $154 million, or 2.7 per cent of funding distributed to schools for that year.

The new funding governance model does more than just replace the PCS model; its scope includes all schools targeted funding outside the Student Resource Package. Under the proposed new model, the Department will hold targeted funds centrally, and individual program areas will direct how funds are spent. Instead of receiving targeted funding in advance, program areas will either pay for goods and services or schools will apply to program areas for reimbursement.

The Department will pilot the new funding governance model in term 1 2017 in approximately 100 schools.

Acquittal of the Student Resource Package

Schools receive the vast majority of their funding through the SRP. The SRP derives a funding amount for each student and school based on a range of evidence-based factors. SRP funding comprises three major components: Student Based Funding, School Based Funding, and Targeted Funding.

In her statement to IBAC during Operation Ord, the Secretary committed to implementing a new process, that requires schools to acquit funding they receive from the Department, starting in 2015 (Secretary's Legal Statement to IBAC, para 161). This approach improves departmental oversight that SRP funds were spent as intended.

Changes have been introduced to strengthen the existing acquittal process, requiring school principals to not only acquit expenditure but also confirm it was used for its intended purpose. It is now mandatory for schools to confirm that funding was used for staff to deliver programs consistent with Department and school council policy and decisions.

In the first year of operation, the Department received acquittals from 99.5 per cent of schools (1,533 schools), with the remaining eight schools unable to complete attestations due to school closures before the new requirements were implemented.

Travel, fleet and fuel cards

Travel

IBAC's Operation Ord found an attitude of non-compliance with DET's travel policies and procedures, and many instances where travel policy was frequency disregarded. The report noted '[e]vidence was given of inappropriate, unauthorised and/or seemingly excessive travel for certain employees including executives, principals and business managers and, in some instances, spouses' (p. 102).

The Department immediately put temporary travel restrictions for staff travel in place in June 2015, while it reviewed its travel policy for all corporate and school staff. An interim travel policy was introduced in December 2015, which commenced in January 2016.

The Department reviewed the interim travel policy during the first half of 2016, to identify weaknesses and vulnerabilities. The Department is currently developing a new travel policy for both schools and corporate staff, based on Whole of Victorian Government directions and feedback from schools and corporate staff, with a planned release in 2017. The new travel policy will subject all travel to integrity, accountability, restraint and transparency tests, and assess travel requests against the next best alternative for that expenditure.

Fleet and fuel cards

In August 2015, the Department mandated an online booking tool for use across areas that access departmental operational vehicles. For fuel cards, and in line with the new Whole of Victorian Government State Purchase Contract (implemented January 2016), the Department now uses one main fuel supplier, and allows only secondary access based on exemption requests on a case-by-case basis. This approach was designed to minimise misuse of the cards, by making purchases easier to track in the system.

An external review of fleet and fuel card policy and processes was completed in 2016. The report included recommendations, guidelines and policy improvements. The new policy to be delivered in 2017 will include:

- clear processes for all users
- clear accountability of staff and suppliers with respect to fuel card use and consequences for breach of policy or contractual obligations
- improved controls to eliminate inappropriate use of vehicles and fuel cards
- transparent and efficient reporting to stakeholders to improve oversight and compliance monitoring
- clear processes to address non-compliance.

4 Improved controls

IBAC's Operation Ord found an over reliance on internal audit to identify non-compliance and a failure to mitigate non-compliance through effective risk management. In response, the Department has instituted improved controls covering risk, audit and compliance. Specifically, we:

- introduced our new Risk Management Framework, which clearly articulates the 'three lines of defence' model

- redesigned our corporate and school audit processes and reporting

- developed a complete compliance framework

- delivered new legislation to more quickly, effectively and confidently remove staff for serious misconduct.

Risk

In her statement, the Secretary committed to improve risk management within the Department through a number of actions (Secretary's Legal Statement to IBAC, paras 427, 431 and 434). The Department undertook to change the risk culture, to shift what was commonly perceived as a 'box ticking' compliance exercise to a meaningful and vital part of business planning and decision making, for both corporate areas and schools (para 427). A key product of the review of risk processes was the updated Risk Management Framework, the Department's key overarching guidance document. Specifically, it outlines how the Department manages risk (para 427). We also updated our organisational structure, to position risk and planning functions together within the new Strategy and Performance Group and reinforce the importance of risk-based planning (para 434).

Risk management framework

The Executive Board approved the new Risk Management Framework (RMF) in June 2016, and its implementation is ongoing. The RMF establishes the Department's approach to risk across the business, and its implementation ensures risk management is embedded in our business processes.

Introducing three lines of defence for risk management

The new RMF is based on the Three Lines of Defence risk management model (Secretary's Legal Statement to IBAC, paras 431–34).

The model

First line	Functions that own and *manage* risks
Second line	Functions that *oversee* and support the management of risks
Third line	Functions that provide independent *assurance* over the management of risk

The updated RMF defines the responsibilities for each line within risk management processes. It articulates the responsibilities of operational managers in relation to owning and managing risks (first line) and aims to shift the organisational risk culture from administrative to strategic. It also clearly outlines the operational separation of risk (second line) and audit (third line), as recommended by Operation Ord.

The Three Lines of Defence risk management model aims to strengthen the ownership, accountabilities, resources and governance for risk management activities by ensuring each business area has the right support mechanisms and controls across frontline and central office functions. An education awareness program about the Three Lines of Defence will focus on articulating and communicating the roles and accountabilities of the three lines, particularly the first and second line functions. In addition, the Department will consider ways to enhance existing processes within the Three Lines of Defence model, with the relevant activities expected to commence in 2017.

The Department developed new and refined existing guides and tools, based on the updated RMF. In addition, we mapped three key processes (the operational risk review, strategic risk review and annual risk attestation) for managing risk in August 2016, providing a reference point for repeatability and further analysis for ongoing improvement. This review will occur annually.

Creating the Strategy and Performance Group

As well as separating the audit and risk functions within the Department, we further integrated and aligned other key corporate management functions into one Group – the Strategy and Performance Group. A single group is now responsible for risk planning, reporting, strategy development, project and program management and data evaluation. This approach drives deeper connections and linkages between these important corporate activities, improving decision making and enhancing resource prioritisation across the organisation.

The 2016-17 business plans (at both a group and at a divisional and regional level) built on this integration and strengthened the link between risk and planning. The link between planning and risk also highlights to first line functions the very important role risk management should play in guiding their day-to-day activities (as evidenced in their business plans), and their responsibility for 'maintaining effective internal controls and for executing risk and control procedures' (Secretary's Legal Statement to IBAC, para 431 (a)).

Risk management is also better integrated into corporate functions beyond the Strategy and Performance Group. The Integrated Corporate Management Calendar, updated in February 2016, now illustrates the role that risk plays in the operating cycle of the entire Department. And more robust and deeper links with other corporate processes (such as budgeting, people management and communications) will further enhance this process.

Assessing risk culture

Importantly, the Department must understand the organisation's current risk culture, both at a corporate and a school level, before it can improve the culture. To do this, we will survey both corporate and school staff to gauge a benchmark level for risk and engagement, against which we can compare future results. These tools also highlight how and where the Department can improve and focus efforts.

As an example, the risk management area developed and uses a risk maturity assessment tool, which assesses the relative risk maturity of all business areas across five capability areas – 'Process', 'Monitoring and reporting', 'Roles and Responsibilities', 'Strategy and planning' and 'Communication and consultation'. Each risk element received a maturity rating – ineffective, developing, integrating, effective and advanced. The risk management area will use these results to identify opportunities to develop a more positive risk culture at division, region and Department level.

Audit

The Department overhauled its audit processes, by designing and completing a new, more rigorous school audit program for the 2016 financial year and future years. This new process lifts assurance levels and allows the Assurance Branch to better identify and support schools and business units with higher needs. The Assurance Branch developed a comprehensive internal audit plan, and processes are in place to follow up any audits rated as 'unsatisfactory' or 'needs improvement' within 12 months of the report being finalised.

School audit

The public expects strong financial controls and compliance measures to monitor how we use public education funds. A weak control environment, a lack of compliance and a disregard for prudent and appropriate expenditure featured prominently in the Operation Ord hearings. Similarly, for its 2014–15 financial audit, the Victorian Auditor-General's Office (VAGO) issued a Disclaimer of Opinion on the Department's financial statements. VAGO considered it had insufficient evidence to support the Department's asset and schools' balances.

In response, the Department transformed the School Council Financial Audit (SCFA) approach. As outlined in the Secretary's statement in response to the Ord hearings, the SCFA review examined the objectives, scope and resourcing for the program (Secretary's Legal Statement to IBAC, para 434 (g)). Post review, the Department performed an expanded and rigorous audit program on a representative sample of 269 schools, focusing on:

- locally raised funds

- cash, deposits, investments and banking activities

- expenses and accruals

- fixed assets

- local payroll

- school council governance.

We engaged external audit firms in April 2016 to ensure the planned audit was feasible and would be completed within the required timeframes. The Department engaged with schools to explain the differences with the 2016 audit process. Audit fieldwork started in April 2016 and was completed in July 2016.

Departmental staff analysed and evaluated the audit reports in July 2016, and rated the 269 schools as either 'good', 'acceptable', 'needs improvement' or 'unsatisfactory'. The results indicated 47 schools (17 per cent) were good, 142 schools (53 per cent) were acceptable, 76 schools (28 per cent) needed improvement, and 4 schools (2 per cent) were unsatisfactory.

In its audit opinion issued in September 2016, VAGO determined that all schools' transactions and balances were presented fairly for the year ending 30 June 2016.

At the conclusion of the program, the Executive Board considered a report on the 2016 school audit program, which summarised the lessons learnt and the actions to be taken for the 2017 program. The Department will continue to improve the program next year, to make it more flexible, and better support schools and auditors.

Internal audit plan

In response to the IBAC Operation Ord hearings, the Secretary committed to a Portfolio Internal Audit Plan (PIAP), which identifies high risk processes requiring review by internal audit, including:

- grants and funding across the Department and schools

- performance management, particularly for poor performance and misconduct

- conflicts of interest, business planning, budget processes and discretionary expenditure (Secretary's Legal Statement to IBAC, para 435).

The 2015-16 PIAP included some of these additional reviews, while the current 2016-17 PIAP included others. In addition, a small number of processes will be reviewed in the 2017-18 PIAP, because they are currently being reformed, and an audit in 2016-17 is considered premature.

The Portfolio Audit and Risk Committee endorsed the 2016-17 PIAP in October 2016, presenting the indicative plan for October 2016 to September 2020. The PIAP includes all the reviews the Secretary identified in her statement, and is executed as business as usual activity for the Department.

Internal audit reporting

IBAC's Operation Ord report found that the audit program failed to detect problems; management did not follow up poor audit results in a timely way, and delayed responding to the Department's 2010 audit into Program Coordinator Schools, which was highly critical of the program (pp. 38–40). To address the IBAC's concerns, the Secretary committed to following up all internal audit reports rated as 'unsatisfactory' or 'needs improvement' within 12 months of the report being finalised, to ensure agreed management actions are implemented (Secretary's Legal Statement to IBAC, para 375).

All 'unsatisfactory' and 'needs improvement' audits are now included as a standing agenda item for the quarterly meetings between the Chief Audit Executive and Deputy Secretaries. Other actions (including follow ups, workshops and increased reporting) to improve governance of other previously identified issues are now accepted as business as usual practice.

Assurance data analytics

The Secretary also committed to 'improved data assessment and reporting of patterns and anomalies, which are indicators of potential fraud' for the system (para 32). This commitment addresses the Department's limited data analytics capability, particularly relating to fraud and corruption control, the lack of a cohesive strategy, and the limited use of computer-aided audit tools (CAATs) in internal audits.

Data analytics increases the coverage of internal audit and compliance functions, to better understand risks and test controls. Data analytics uses the Department's vast amount of data to both reactively and proactively identify anomalies and trends.

The Assurance Branch developed a data analytics strategy for the Integrity and Assurance Division, and work on an implementation plan and reporting framework is underway. Once implemented, the plan will transition to a data analytics reporting framework, which the Department will use to analyse and report in audit reports.

The data analytics strategy formalises the delivery of data analytics, fosters the use of CAATs in audits, strengthens the supporting IT infrastructure, and develops data analytics capabilities of Departmental employees through education and training.

Financial services data analytics

The IBAC Operation Ord report found financial transactions were not transparent and lacked oversight, particularly relating to school finances and low value transactions (p. 99). In response, the report recommended increasing ongoing monitoring activities.

As a companion to the Integrity and Assurance data analytics strategy, the Department is developing a data analytics strategy for the Financial Services Division (FSD), which monitors key corporate and school financial transactions including low value transactions. The FSD data analytics strategy was finalised in December 2016 and will be implemented alongside the new operating model and supporting structure for the FSD (discussed in chapter 3, *Improved systems*).

Once implemented, the plan will transition to a data analytics reporting framework, which the Department will use to report on the results of the analysis. We expect the Victorian Auditor-General's Office will use results of the FSD analytics to assure the Department's financials.

Compliance

In response to the IBAC Operation Ord hearings, the Secretary committed to establishing a separate compliance function that monitors various specific risks, such as non-compliance with applicable laws and regulations (Secretary's Legal Statement to IBAC, para 431 (b) (ii)).

A newly designed compliance project aims to meet several objectives, including:

- ensuring the Department has a documented and complete compliance framework with known high risk areas
- ensuring the Department has a dedicated compliance function
- clarifying responsibility, ownership and accountability for compliance risks
- clearly articulating compliance requirements that are up to date
- identifying any non-compliance early and rectifying it effectively before an incident occurs
- reducing incidents of non-compliance.

The project is in its initial stages, with staff identifying and reviewing the Department's compliance obligations in all applicable legislation, regulations, standards, guidelines and policies. So far, staff have identified a significant number of compliance obligations that apply to the Department. We are consulting with the relevant divisions within the Department, focusing on known high risk areas such as Financial Services Division, Regional Services Division, the Risk and Decision Branch and Assurance Branch. A full consultation process will commence in January 2017.

The new compliance framework, accompanied by a program that effectively feeds into risk management and audit functions, will form part of business as usual processes by July 2018. Senior management or the relevant governing body will receive regular comprehensive reports on compliance issues.

Changes to the legislative and regulatory framework

The Department swiftly supported the Government to deliver new legislation that allows it to more quickly, effectively and confidently remove staff for serious misconduct. In response to IBAC's Operation Ord, the Secretary committed to:

- making staff more accountable by introducing legislative and regulatory change to remove staff, including school staff, for serious misconduct (Secretary's Legal Statement to IBAC, para 74)
- examining opportunities to enhance legislative and regulatory frameworks for school staff streamline investigation and decision making procedures (para 156).

The *Education and Training Reform Amendment (Miscellaneous) Act 2016* (ETRA Amendment Act) amends the *Education and Training Reform Act 2006* (ETRA), to give the Secretary the power to summarily dismiss a member of the teaching service for serious misconduct. The ETRA Amendment Act passed both Houses of Parliament on 17 August 2016 and commenced operation on 29 September 2016.

This summary dismissal power signals clearly to the Victorian Public Sector that the Government has zero tolerance for serious misconduct and will close identified legislative or regulative gaps to protect public money and safety. The Department worked closely with unions and principal groups to establish a consensus for reform and to ensure procedural fairness for all staff.

The Department can now manage serious misconduct consistently across the corporate and teaching workforce, and has the clarity, certainty and confidence to deal quickly and fairly with serious misconduct whenever it occurs. To date, the Secretary has not exercised her summary dismissal power.

Preventing improper practices

Prior to the end of Operation Ord, the Department had already commenced a range of employment actions to exclude people whose conduct was alleged to be improper or corrupt from working with the Department, including in our schools (IBAC, p.108).

Those employment actions have now been finalised in relation to all persons who it was considered should be removed from the Department.

In accordance with existing processes, the Department has also put in place limitations on the ability of these former employees to obtain a position in the Department into the future, to ensure rigorous testing of any future employment applications, including through referees.

No other entities have been identified through Operation Ord where contractual arrangements have needed to be terminated due to conduct identified through Operation Ord.

However, the Department is considering what processes if any would be needed to ensure that where misconduct and corruption of former employees has been found through Operation Ord that they are not able to otherwise obtain work from the Department, for example through contracts with the Department.

A standalone project will help the Department identify appropriate steps to exclude people or entities whose behaviour has been found to be improper or corrupt from obtaining work with the Department (including schools).

The Department will review project objectives and start the project after IBAC tables its report into Operation Dunham, given that investigation identified similar issues of engaging people and entities that have acted improperly in the past. This project will ensure a consistent approach to all aspects of the problem identified by IBAC's investigations. The Department will progress its response as efficiently as possible.

SECTION 3:
PEOPLE

5 A culture of integrity and respect

In her statements at the IBAC Operation Ord hearings, the Secretary was clear that corruption does not happen without a culture that allows it to occur. The Department's culture was not 'unethical', but it was ethically neutral. We did not talk openly about ethical issues or see them as a priority. We did not properly acknowledge ethical conduct or call out conduct that fell short of public expectations. We created a vacuum in which unethical behaviour went unchecked, and in some pockets, simply became 'how we do things around here'.

The Department is now focused on creating a positive ethical culture and ensuring the Victorian Public Sector values are explicit in discussions, actions, decision making, relationship building and service delivery. The cultural reform work has a much broader and deeper focus than 'integrity' and seeks to address a range of issues that affect how people think, feel and act at work.

Highlights include:

- a new staff development strategy (*Investing in Our People*)
- the DET Values project
- developing leadership capability (discussed in chapter 7, *Ethical leadership*).

Cultural reform is being led by the People Division within the Department.

Investing in Our People

The Department's approach to cultural change is encompassed in our *Investing in Our People* strategy, which identifies five key objectives:

- safe and inclusive workplaces
- culture of integrity and respect
- learning-driven organisation
- accountability for outcomes
- responsible and effective leadership.

The Department's Executive Board endorsed these five objectives, which clearly direct the organisation via a range of programs (figure 3). The strategy will be implemented in 2017.

We are also developing a dedicated supporting strategy and implementation plan to foster a culture of integrity and respect. By doing so, integrity will remain a core long term focus area for the Department and embedded in our culture.

Figure 3: Our people: Capable, Empowered, Valued and Supported

DET Values

The Department has placed renewed focus on the Victorian Public Sector Values by adopting and launching these as the Department of Education and Training (DET) Values (figure 4). The values are responsiveness, integrity, impartiality, accountability, respect, leadership and human rights. We are currently implementing a detailed plan to embed the values across the Department, including in schools.

Figure 4: Understanding DET Values

We developed new materials to communicate the DET Values and also incorporated the values into existing departmental documents. New materials include posters, conversation cards, power point slide training packs, facilitator guides and guides to the DET Values. Box 1 explains the aim of the conversation cards.

Further, DET Values have been included in corporate professional development plans, in position descriptions and in induction material for new employees. We are also communicating the DET Values through Integrity Leadership Groups, principal networks, and each school via regional offices and corporate executives. Supporting materials link the DET Values with school values, professional codes of conduct and the Framework for Improving Student Outcomes.

The recent People Matter survey conducted in the corporate workforce in 2016 demonstrated a strong awareness of the Public Sector Values.

Box 1: Using conversation cards to create a positive ethical environment

Conversation cards set out real-life ethical dilemmas that our staff face at work. The cards challenge staff to consider and discuss these scenarios and how the DET Values can help guide behaviours. The cards aim to deepen learning and engagement through discussion and participation, rather than top-down, centralised communication. Our corporate and school leaders received packs, along with guidance on what they mean and how they can be used.

Sample DET Values conversation card

eLearning modules

Supporting the DET Values launch, the Department developed DET Values eLearning modules. These modules are available in schools and our corporate offices.

Integrity moments

At the March 2016 All Staff Forum, the Secretary asked staff to start team meetings with 'Integrity moments'. 'Integrity moments' contribute towards a positive ethical culture, and in some cases, can be used to inform the development of additional resources and guidance.

The Department's Executive Board, Integrity Committee and five Integrity Leadership Groups model this behaviour, by including Integrity moments as a standing item. An example is a discussion about public sector's vulnerabilities to organised crime, using a real life example relating to the Sydney Harbour Authority.

We also developed resources – *Practical Ways to Talk About Integrity* – giving staff ideas about how to have conversations in the workplace about integrity and what it looks like in our day-to-day work. These resources are available on a dedicated staff integrity portal and are updated regularly. The site also holds an overview of the Integrity Reform Program, ethical decision making resources, training information and de-identified misconduct case studies, which demonstrate consequences for misconduct. It is promoted regularly through school and corporate communications channels.

Assessing cultural change

The Department will assess cultural change through surveys either currently in place or being rolled out in 2017. Workforce data (such as turnover rates), data about misconduct or conflict of interest and individual performance measures provide additional insight.

The survey program includes:

Corporate staff

- the annual public sector-wide People Matter survey

- the new DET-specific 'pulse check' culture and risk survey, held six months after People Matter, and designed to delve deeper into issues identified in the first People Matter survey. The survey, conducted in December 2016, assesses the Department's current culture and forms a baseline from which we will to measure our progress towards change.

- the employee exit survey

School staff

- annual school staff surveys will included additional modules for 2016 and beyond:

  » wWe will combine the results from the school staff survey in August (just under 50,000 respondents) with the results from the culture and risk survey, to provide a whole-of-department assessment. We expect to report in January 2017, including recommending actions to change our culture.

Regular reporting on cultural initiatives occurs at executive and regional meetings.

To announce the launch of DET's Investing in Our People Strategy, a giant Values pathway was placed at the main entry into 2 Treasury Place

6 Ethical leadership

IBAC's Operation Ord identified the following ethical leadership failures:

- lack of accountability for decisions and enforcing actions
- lack of awareness of how to address concerns
- decisions made on trust and history, and not on policies or procedures
- lack of connectivity between schools and corporate
- lack of awareness about conflict of interest (COI) and its relevance to the way we do business
- COI declarations not made consistently and no repercussions for noncompliance. When made, school staff declarations were not kept centrally and could not be interrogated.

The Integrity Reform Program has raised the bar for ethical leadership across the Department. All senior leaders have committed to a Leadership Charter that has ethical leadership at its heart. An executive development program measured their ability to lead with integrity, and meet the critical people and financial management demands of strong ethical leaders. This process helped the Department build our leaders' strengths and address gaps in their skills and experience.

We are also supporting staff of all levels to lead ethically, by raising ethical competency and making them more aware of ethical issues. We are supporting these skills via our performance and development process, which now includes DET Values.

We are enriching the Department's organisational leadership through structured pathways for school staff to move into corporate roles, and by ensuring leaders model accountability and impartiality by better managing COI issues. In the past 18 months, we started the following ethical leadership projects:

- established Integrity Leadership Groups
- implemented a Leadership Charter
- developed a Leadership Capability Framework
- established a DET Executive Officer Development Centre
- established a COI register
- developed an ethical decision making model
- established a career pathways and rotation program.

As discussed in chapter 1 (*Integrity Framework*), COI policies and systems are being comprehensively reviewed to strengthen and consolidate their impacts.

Integrity Leadership Groups

The Department established Integrity Leadership Groups in each of the four regions and central office, to drive the Integrity Reform Program from the ground up and to influence ethical behaviour throughout the Department's teams, workplaces and networks. The groups bring together people from schools and offices who are acknowledged as ethical leaders.

The groups meet regularly to discuss and consult on changes and improvements and advise colleagues about the reforms. They also shape the Department's Integrity Reform Program by providing expert advice to policy makers.

In 2016, the groups helped improve the Speak Up service, design an ethical decision making model and improve business manager and principal training.

Integrity Liaison Officers

Each region also has an Integrity Liaison Officer, who coordinates the Integrity Leadership Groups and engages regional and school staff, and offers advice on integrity.

DET's Leadership Charter and Capability Framework

In December 2015, leaders signed a Leadership Charter, and committed to living the values and modelling the behaviours the Department and the community rightly expect. The charter is critical to lifting organisational performance, because it guides how Department leaders work, make decisions, form relationships and bring out the best in staff.

Under the charter, our leaders promise to:

- work as one
- be accountable and work with integrity
- invest in and empower staff
- always focus on the wellbeing and outcomes of the children, young people, adults and families they serve.

Drawing on the binding Code of Conduct for Victorian Public Sector Employees, the charter outlines the leadership capabilities that Department leaders should strive to uphold:

- thinking strategically
- leading change
- leading with integrity
- possessing business acumen
- working collaboratively
- building relationships
- being able to influence and negotiate
- managing people
- delivering results
- practising self-mastery and awareness.

These capabilities are reflected in executive performance development plans, recruitment and induction processes, and professional development activities.

Executive Officer Development Centre

The Department runs an Executive Officer Development Centre, where participants undertake:

- 360-degree surveys (feedback from manager, colleagues, staff and internal and external stakeholders)
- a half day development activity including role plays, presentations and group problem solving
- an intensive debrief and coaching session to guide officers through their results and establish their development plan.

To date, over 120 Executives have completed the program. The Department uses the program to develop individual plans and to identify strength and development areas for the Executive cohort as a whole. The program will continue in the future.

Career pathways and rotation program

In her statement to IBAC, the Secretary committed to design, develop and implement structural pathways into public policy and administrative roles for senior school staff and principals. These pathways will foster healthy networks, retain good people and better connect schools and corporate officers (Secretary's Legal Statement to IBAC, para 77). The Department has introduced or is considering several initiatives:

- We are making corporate roles for school staff more visible, by advertising them in our School Update email list and ensuring school staff can view corporate vacancies.
- We will make the online performance and development system (currently available for corporate staff) available to school staff in January 2017. This initiative highlights the skills and development goals of individual school staff, and helps the Department match staff to roles.

- We are developing a 'Pathways to DET' program, which will rotate 15 senior school staff per cohort into the corporate environment. If approved, we will pilot the program in 2017.

We are also implementing the Executive Rotation Program for corporate staff. The Executive Rotation Program facilitates short term placements and other arrangements for executive officers to foster learning and development. The objectives of the program are to promote a strong culture, and to encourage our executive group to learn about other areas within the organisation.

Managing conflicts of interest

The Australian Public Service Commission notes agency heads, leaders and managers, as well as individual employees, are responsible for managing conflicts of interest. However, the more senior an employee, the more likely such conflicts are and the bigger the consequences of not responding to them appropriately.[2] In response to the Operation Ord investigation, the Secretary committed to strengthening COI management, including to design, develop and implement COI training and other suites of support (para 49).

As discussed in chapter 1 (*Integrity Framework*), COI policies are core to the Department's Integrity Framework. The policies embed, animate and assure DET Values, the VPS Code of Conduct and legislative accountabilities, and mitigate integrity risks. Other key policies for managing conflicts of interest include gifts, benefits and hospitality (GHB), sponsorship, and probity in procurement.

A maturity assessment of COI policies is progressing well and will inform integrity actions throughout 2017 to strengthen how we manage conflicts of interest. Other initiatives include:

- a dedicated COI intranet page, that provides resources for managers and staff

- a COI toolkit with information sheets, checklists and case studies that provide practical ways to address day-to-day COI situations

- a fact sheet that outlines the measures principals must take to manage conflicts of interest if a family member applies for a job in their school.

Staff may also seek advice and guidance from our Conduct and Ethics Branch.

In the Victorian Public Sector Commission's 2016 People Matter survey, 87 per cent of respondents agreed they received information about our policy on giving and receiving gifts or benefits, and 77 per cent agreed they received information about our policies and procedures to assist employees avoid conflicts of interest.

A specialist eLearning developer will build and deliver a comprehensive eLearning module on identifying and managing conflicts of interest. This module will be tailored for corporate and school staff, and is expected to be completed by the end of this financial year. We are also exploring options for a centralised COI register.

Ethical decision making model

Leaders and managers, through their own actions, must be champions of ethical decision making and behaviour.[3] In her statement, the Secretary committed to strengthening the Department's training to support transparent ethical decision making (Secretary's Legal Statement to IBAC, para 418 (d) (ii)).
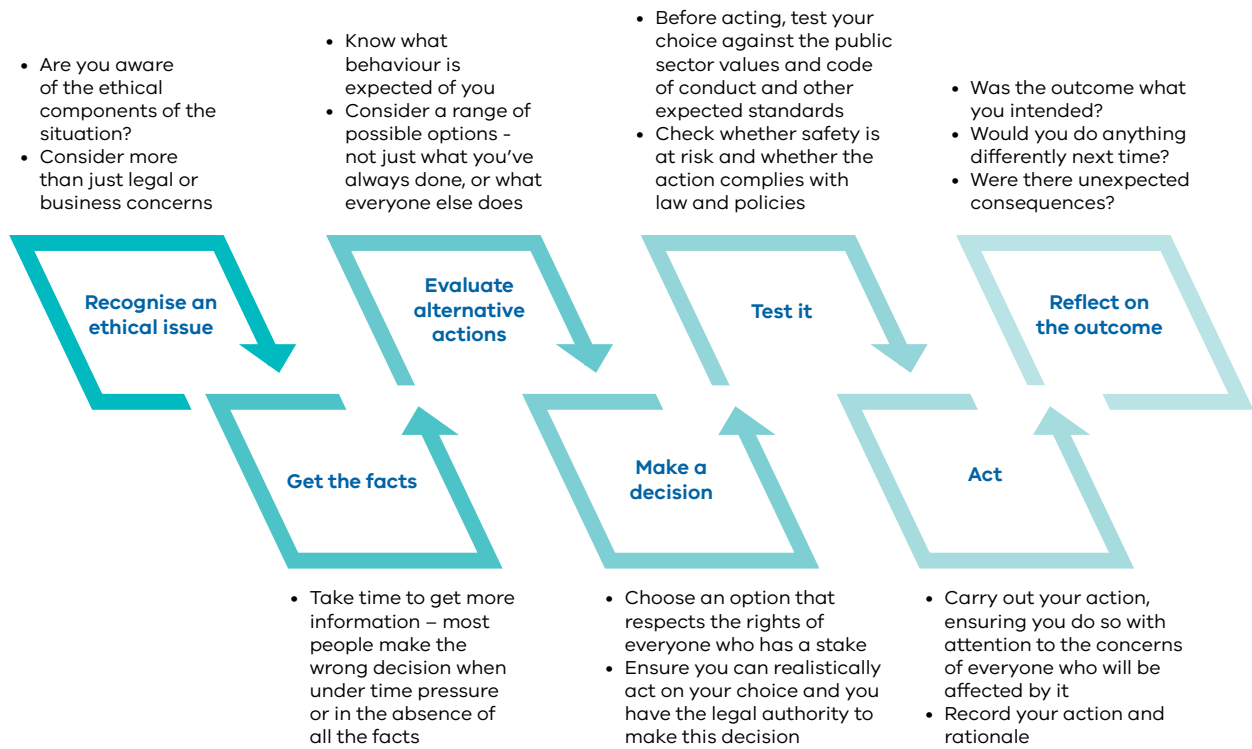
To do this, we developed an Ethical Decision Making Guide and model (figure 5), to help staff make ethically sound decisions at work. This guide expands on the DET Values, providing practical advice about how to make good choices in ethically challenging situations. Staff are encouraged to apply the model throughout the decision making process — not after a decision is made or to judge the qualities of an action already taken.

This guide is embedded in existing training programs for staff, 'Integrity moment' conversations, case study and scenario discussions and will be incorporated into relevant future programs.

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2   Australian Public Service Commission 2009, *In whose interests? Preventing and managing conflicts of interest in the APS*, Commonwealth of Australia, Canberra, p. 3.
3   Australian Public Service Commission 2009, *In whose interests? Preventing and managing conflicts of interest in the APS*, Commonwealth of Australia, Canberra, p. 15.

Figure 5: Ethical decision making model

- Are you aware of the ethical components of the situation?
- Consider more than just legal or business concerns

- Know what behaviour is expected of you
- Consider a range of possible options - not just what you've always done, or what everyone else does

- Before acting, test your choice against the public sector values and code of conduct and other expected standards
- Check whether safety is at risk and whether the action complies with law and policies

- Was the outcome what you intended?
- Would you do anything differently next time?
- Were there unexpected consequences?

Recognise an ethical issue

Evaluate alternative actions

Test it

Reflect on the outcome

Get the facts

Make a decision

Act

- Take time to get more information – most people make the wrong decision when under time pressure or in the absence of all the facts

- Choose an option that respects the rights of everyone who has a stake
- Ensure you can realistically act on your choice and you have the legal authority to make this decision

- Carry out your action, ensuring you do so with attention to the concerns of everyone who will be affected by it
- Record your action and rationale

7 Staff support and development

In addition to the extensive system improvements that will address IBAC's Operation Ord findings, improving our integrity culture is central to sustainable change. Chapter 5, *A culture of integrity and respect*, discusses the Department's overarching cultural reform strategy, which includes embedding ethical values across the Department, and general behavioural change through our staff development strategy. This chapter focuses on the reporting mechanisms, specific policy changes and training programs that underpin cultural reform, to support staff and develop key competencies.

Specifically, these initiatives:

- provide staff with a safe, supportive and easy-to-use avenue to report concerns about improper conduct, through Speak Up

- embed the DET Values in position descriptions

- lay the foundations for increased trust, accountability and transparency in recruitment processes

- make integrity awareness a fundamental element of induction for new corporate staff.

Other projects currently underway will:

- increase compliance with the performance development process and make it more consistent, with a greater focus on integrity

- deliver professional skills training to school business managers

- provide a high quality induction program for new staff in schools.

Staff support

In its Operation Ord report, IBAC found that 'a consistent theme was that those staff who did raise issues or concerns eventually felt they had nowhere to turn to raise concerns or complaints' (p. 106). Although avenues existed for whistleblower complaints and for staff to raise concerns through reporting structures, they were not well publicised and staff had little confidence that their concerns would be taken seriously or that they would be supported through the process. Recognising the importance of this issue, Operation Ord's recommendation 2(f) requires the Secretary to report specifically on '[m]echanisms to encourage and support employees to speak up and report suspected misconduct or corruption, and to ensure appropriate assessment, escalation and investigation of such matters' (IBAC's Operation Ord report, p. 108).

In her statement, the Secretary committed to establish and communicate a revised whistleblower process across the organisation (Secretary's Legal Statement to IBAC, para 426) and review the current complaints process and identify and implement improvements (para 71). The Department fulfilled the first of these commitments, by launching the Speak Up service in December 2015. To address the second commitment, the Department is developing an end-to-end complaints management system.

Mandatory notification

Parliament recently introduced changes to Victoria's integrity system to strengthen accountability and integrity within the Victorian Public Sector. From 1 December 2016, all relevant principal officers of a public sector body must notify IBAC of any matter the principal officer suspects on reasonable grounds involves corrupt conduct. The Department is raising awareness about this new obligation among staff and introduced a process to meet this mandatory notification obligation.

Speak Up

Launched via a video message from the Secretary to 70,000 staff, Speak Up is a service for employees (including contractors and consultants) concerned about something that does not look or feel right. They can report their concerns confidentially and anonymously to an independent external provider. Speak Up also provides an additional entry point to the existing complaints management framework, where established policies and legal protections apply.

Each report is 'triaged', based on its merits and reports warranting further consideration are referred to the relevant area of the Department. Areas manage reports in line with existing complaints guidelines and employment protections. The triage process balances people's need to feel safe to raise legitimate concerns about suspected fraud and corruption, and upholding the rights of those against whom allegations are made, particularly relating to vexatious, mischievous or repeat complaints. Reports that meet the criteria for protected disclosures are identified and managed in accordance with the Department's protected disclosure guidelines.

Since it started in December 2015, 223 cases have been reported to Speak Up. This success proves staff are willing to come forward and report their concerns, if they have a safe reporting environment and an organisation that demonstrates a commitment to addressing valid complaints.

Complaints management

The Department's complaints framework is based on the principles of inclusion, respect, transparency and empathy. The framework also recognises complaints provide an opportunity to continuously improve our practices and services.

The Department is developing a new end-to-end complaints process, which we expect will include the following benefits:

- automated workflows leading to better, more transparent and faster resolutions
- prompt identification of bottlenecks
- workflows to assist regions with investigations
- visibility of cases handled by other departmental divisions (where appropriate) to help avoid duplication
- better communication with the person making a complaint, to keep them informed during the investigation and afterwards.

Scoping is currently underway for the corporate complaint management system, which will clarify resource requirements and the project timeframe.

Staff development

In her statement to IBAC's Operation Ord, the Secretary said 'we must ensure we have an integrity culture underpinned by clear accountabilities and performance standards, to ensure integrity becomes the norm – in head office, in regions, and in schools' (Secretary's Legal Statement to IBAC, para 7).

To achieve the cultural and systemic change necessary to meet the Integrity Reform Program's objectives, the Department is introducing or has introduced a range of staff development initiatives and workforce strategies that will:

- clarify what we expect of staff from the point they commence working with us
- document the capabilities people in key roles need to operate with integrity
- provide appropriate professional development to people in key roles
- position our values as a key performance indicator in performance management processes.

Position descriptions

Including DET Values in position descriptions (PDs) makes these principles visible at the earliest stage of an individual's employment. The Department is reviewing PDs progressively as positions are advertised, to include the right skills, values, qualifications and experience, so employees can perform their roles successfully.

Recruitment

In her statement, the Secretary committed to ensuring that the right people, with the right skills and the right values, are appointed to senior positions (para 7). We need recruitment processes and guidelines that promote transparency and engender confidence across the existing workforce and potential employees to achieve this goal. To embed these principles in recruitment processes and activities, we:

- reviewed the Schools Recruitment Guide against the Integrity Framework

- published the fact sheet, *Managing Conflicts of Interest in the Recruitment of Family Members*

- ensured staff in schools can view and apply for corporate vacancies.

We reviewed and updated recruitment guidelines for corporate staff in April 2016, and we will further enhance recruitment and selection processes for corporate staff.

Participating in selection panels

The Merit Protection Board provides face-to-face training for staff intending to participate in selection panels. The training is competency-based and includes significant content related to the integrity of panel members, the selection process and the integrity of candidates. This training was reviewed and updated to include extra scenarios and discussion opportunities about ethical decisions in recruiting. Selection panels must comprise at least one member who successfully completed this training.

Induction

Recognising that induction training is a prime opportunity to build integrity awareness in our workforce, the Department's formal induction program for all new corporate staff now includes a dedicated session on Working with Integrity. This presentation covers:

- what integrity means

- Speak Up and how to report concerns

- the Integrity Reform Program

- how we demonstrate a culture of integrity

- threats to integrity

- applying integrity at work

- case studies for discussion.

The induction program for new school staff is currently being updated. Refreshed and updated online induction material for new teachers and principals was launched as part of the Excellence in Teacher Education reform.

Business manager capability framework

We are developing a capability framework for school business managers, with a draft currently out for consultation with stakeholders. This framework will cover the core capabilities for business managers, including integrity and ethical practice as part of agreed professional standards.

Professional development for principals and business managers

Some roles in the Department and schools have a high level of exposure to potential integrity risks, such as principals and business managers, given their responsibility for procurement and expenditure. These officers need high quality training in financial management and other professional skills, so we reviewed and amended the existing specialised financial management training programs for principals and business managers, *Dollars and Sense* and *Talking Finance*.

Courses now include information about the Code of Conduct for Victorian Public Sector Employees, scenarios and our Quick Conduct Test. Since April 2016, we recorded 2,099 attendances at 113 *Dollars and Sense* and *Talking Finances* sessions.

The Department's training centre for school principals, the Bastow Institute of Educational Leadership, included the Ethical Decision Making Guide and model into the School Governance module of the Strategic Management for School Leaders course. It complements other course content on legal, financial, people and asset management:

- recognising the nature of the issue
- getting the facts
- evaluating alternate actions
- making a decision
- testing and carrying out actions
- reflecting on outcomes.

Performance development plans

We launched a new performance development plan system in August 2016. The new automated system includes a performance measure related to the DET Values. The launch was supported by training for executive officers, managers and staff, with 108 courses attracting 1,405 registrants.

Final report to IBAC in 2017

The Department is committed to developing and sustaining a culture of integrity and respect in our corporate offices and in our schools.

We are taking significant action to address the issues identified during IBAC's Operation Ord and to restore confidence in our stewardship of Victoria's public education system. Specifically, we are strengthening our governance, leadership, systems and controls and embedding a culture underpinned by public sector values.

We appreciate the opportunity to demonstrate to IBAC our progress via this report, and look forward to delivering to IBAC by 30 September 2017 a final report that demonstrates these reforms were effective.

APPENDIX 1:
List of governance committees

Committee	
Policy and Implementation Committee (PIC)	PIC oversees the development, implementation and evaluation of strategically significant policy initiatives to strengthen Victoria's education services and assets. It brings a 'whole of lifecycle' approach to development and executing policy, by drawing on expertise of all staff including the teaching workforce.
Information Management and Technology Committee (IMTC)	IMTC provides strategic oversight of the Department's information management and technology functions, priorities and systems, including information security.
Performance and Evaluation Committee (PEC)	PEC supports an integrated, consistent and comprehensive approach to performance monitoring and evaluation strategy across the Department.
Budget and Financial Management Committee (BFMC)	BFMC advises the Secretary on priorities for the budget, and oversees effective strategic development and coordination of DET finances and physical assets.
Procurement and Probity Committee (PPC)	PPC provides strategic oversight of procurement activities within the Department, to ensure value for money, accountability and probity, including compliance with Victorian Government Purchasing Board (VGPB) requirements.
Workforce Development Culture Committee (WDCC)	WDCC monitors and oversees the development, implementation and evaluation of strategies and activities to promote exceptional organisational culture and capability across central and regional offices and the teaching workforce.
Portfolio Integrity Committee (IC)	The IC supports the Secretary in overseeing and assuring all staff act and conduct themselves with integrity. It supports staff in DET offices and schools to understand and uphold the highest standards of integrity and public trust and to resist corruption.
Portfolio Audit and Risk Committee (PARC)	PARC assists the Secretary to fulfil governance responsibilities and obligations under the *Financial Management Act 1994*. It advises the Secretary directly on governance, risk management, audit and control assurance activities.
Executive Development and Remuneration Committee (EDRC)	The EDRC ensures a consistent and rigorous approach to setting and adjusting executive officer remuneration, as well as addressing their individual development needs.