



Department of Education

SUBMISSION by the Department of Education to the *Joint Standing Committee on the Corruption and Crime Commission* Inquiry into public sector procurement of goods and services and its vulnerability to corrupt practice.

CONTEXT

The Department of Education (the Department) is a large consumer of goods and services to provide for its operational needs and to support over 800 schools and school sites. A great proportion of the spend on goods and services comes from schools that typically source goods, equipment and classroom supplies from a range of service providers, that are usually high volume, low value transactions, from Government or Department contracts.

The contract profile for the Department shows that it awards approximately 140 new contracts each year with a value of \$50 000 or more, and manages about 360 current contracts valued at about \$880 million.

In addition, on average the Department process between 3 500 to 4 000 transactions per month via Accounts Payable and Purchase Cards for Central and Regional Offices (not including school transactions).

1. OVERSIGHT MECHANISMS

The Department has in place a number of oversight mechanisms to detect and deter unauthorised practices. Processes in place include:

Purchase Cards

- line manager approval is required before a purchase card is issued. Card holders must acknowledge the purchase card terms and conditions and procurement compliance policy;
- merchant or category restrictions are placed on card use, including Merchant Category Code checks;
- there is regular reporting on credit card limits and there is cancellation checks on cards with no recent transactions; and
- before a purchase card is issued, card recipients are required to complete an on-line training module spelling out card use responsibilities and approved uses.

Purchase Orders and Invoice Management

- each purchase order or invoice presented is checked for procurement compliance and that it complies with State Supply Commission Policy, Common Use Agreement or Department contract and the Department's internally set delegations and approvals including procurement thresholds;
- there is a requirement to initiate a purchase approval prior to purchasing or sourcing quotes;
- compliance checks are undertaken for purchases above \$50 000. Documentation and awarded contracts are published on TendersWA;

- invoices are reviewed before payment is authorised. Blanket orders are required for all contracted arrangements; and
- there is oversight of contracts for purchase orders, with appropriate evidence or information to demonstrate approval of the purchase.

The Department has strategies that include:

- preventative and detection strategies, for example, sampling; and
- adopted control practices to minimise corruption, for example segregation of duties in data entry, vendor maintenance and in the function of payments.

Procurement and Contract Management

- Contract initiation and award arrangements are governed by Procurement Business Rules and procedures, including a delegation framework and review procedures requiring independent review and endorsement before approval for the initiation of contracts over \$250 000, and for contract change management (variations, extensions, novations, terminations etc.). Procurement activity is also regulated through delegations that establish approval levels based on the value of the contract (the higher the value, the higher the officer level required to approve);
- approval checks are required to assign or novate contracts by the Department's Commercial Services directorate;
- approval checks are required to vary, exercise or decline extension options or for contract variations;
- there is mandatory registration of contracts (or purchases where buying from a Common Use Agreement or Department contract) over \$50 000 in value; and
- The Department complies with whole of government policy including:
 - Treasurer Instruction (TI) 321 Personal Use of Credit Cards – incorporating also reporting requirements for the Annual Report (TI 903);
 - Legislation; *Corruption & Crime Commission Act 2003*, *Criminal Code Act Compilation Act 1913*;
 - TI 820 for the registration of contracts; and
 - State Supply Commission (SSC) policy and the SSC Partial Exemption issued to the Department.

2. TRAINING OF PUBLIC SECTOR PERSONNEL

Personnel training is facilitated through:

- collaboration between Business Units, deployment of requirements via internal Finance Management Manual, conducting educational workshops, and incorporating requirements in policy;
- finance system (iProcurement) training and online learning modules;
- new staff, Principals and school administration staff access online professional learning programs, covering financial management;
- face to face induction programs for school administration staff on procurement, financial management and purchase card administration;
- face to face induction programs for new Principals;
- School and Department specific newsletters on topical procurement and contracting issues and updates, normally issued each month; and
- There are Government training programs for procurement and other staff conducted by the Department of Finance.

3. CORRUPTION PREVENTION AND RISK STRATEGIES

The Department of Education has a Standards and Integrity Directorate (the Directorate) which is responsible for the Department's misconduct management framework (i.e. the receipt, assessment, referral, reporting and investigation of allegations involving staff misconduct) and also the development and delivery of prevention and education strategies to detect and deter misconduct.

The Directorate is responsible for the delivery of a range of integrated functions including:

- the administration of complaints regarding alleged misconduct by employees;
- directing the allocation and timely investigation of complaints relating to employee misconduct;
- the coordination of all disciplinary processes;
- the completion of internal risk-assessments of departmental employees with reference to their personal conduct, complaints history, performance and criminal records;
- the investigation of complaints and allegations against employees, including public interest disclosures, serious misconduct and breaches of discipline at all levels which relate to employee misconduct;
- the provision of proactive professional learning strategies related to professional standards and conduct; and
- leading the development and implementation of strategic policies (including Code of Conduct, Corruption Prevention, and Public Interest Disclosure policies), and standards and legislation related to expected professional standards and conduct.

All matters relating to a suspicion of a breach of discipline, corruption or act of misconduct on the part of a Departmental employee must be referred to the Directorate for further assessment. Departmental policy dictates that all employees are required to report misconduct or suspected misconduct. Employees can make a report directly to their principal or line manager, via the Complaints Advice Line, to the Corruption and Crime Commission or by way of a Public Interest Disclosure.

There are three teams in the Directorate (i.e. the Professional Conduct and Assessment Team; the Investigations Team; and the Prevention and Education Team) and their roles are summarised below.

Professional Conduct and Assessment

- Receives and assesses complaints involving allegations of employee misconduct;
- Manages conduct reporting and compliance (e.g. to the Public Sector Commission, Corruption and Crime Commission and Western Australia Police Force);
- Provides strategic analysis and reporting of misconduct information; and
- Oversight of disciplinary matters referred for local managerial action.

Investigations

Three specialist investigation teams with a diverse range of investigative expertise including child protection, internal investigation, and fraud. Investigators routinely liaise and collaborate with the WA Police Force; the Corruption and Crime Commission and the Public Sector Commission in undertaking investigations and enquiries.

Prevention and Education

- Development and delivery of professional learning programs and educational presentations to both school and non-school based employees relating to employee misconduct. The prime communication strategies are currently to offer the *Accountable and Ethical Decision Making Program* via face to face presentations and online modes; and

- Raising awareness and providing advice and assistance to employees to manage complaints relating to misconduct risks and issues.

Criminal Screening Process

The Department of Education requires that, prior to commencement, all prospective employees undergo a Nationally Coordinated Criminal Record Check (NCCRC) and be cleared as suitable for employment. The NCCRC is comprehensive and processed through the Australian Criminal Intelligence Commission (ACIC). As part of this screening process, the Department of Education's Screening Committee will consider all relevant criminal history that is disclosable under the Terms of Service between the Department and the ACIC. This includes considering spent conviction information disclosed as a result of the Department's exception under the *Spent Convictions Act 1988*. Criminal history that brings into question the individual's suitability for employment is considered, including convictions that pose a risk to working in schools or with children, and also other convictions involving fraud, dishonesty, drugs or violence.

The Department's aim in undertaking rigorous criminal history record checks prior to commencement is to prevent the employment of an individual who has criminal history that may pose an unacceptable employment risk.

4. AUDITS AND REVIEWS

Internal Audit conducts audits and reviews that evaluate the governance over purchasing of goods and services and reports the results at a school, central office and state supply level.

All audit activity is formally reported to the Department Audit Committee.

The Department's audit and review programs and activity includes:

- annual audit of compliance with State Supply Commission policy requirements, as required under the SSC partial exemption. This audit examines procurement transactions in which a contract was awarded or a purchase made of a value of \$50 000 and above, including purchases from Common Use Arrangements and community service agreements formed under the *Delivering Community Services in Partnership* policy. A sample of procurement transactions less than \$50 000 are also examined with an emphasis on repetitive purchases of the same nature;
- conducting internal audits on compliance of procurement practices with the Department's procurement policies, procedures and, delegations frameworks (this included a comprehensive Purchase-to-Pay audit in 2017);
- internal audits of the purchase card controls by the Department;
- analysis of Purchase Card data for schools continuously collected from transactional systems. The analysis includes evaluating compliance with relevant policies (e.g. Treasurer's Instruction TI321 – Credit Cards, Western Australian Government Purchasing Card Guidelines, Financial Management in Schools: Finance and accounting Manual, ANZ Purchase Card Guidelines for Schools, and delegation authorities);
- analysis of Merchant category codes transactions that trigger risk (predefined criteria, keyword analysis, unapproved merchant codes, personal expenditure, duplicate, split or statistically unusual transactions);
- monitoring the adequacy of escalation mechanisms for transactions that have not been acquitted on a timely basis; and
- review and checking of central office procurement transactions.

School financial management arrangements are subject to a School Compliance Program based on standards and requirements set out in the Financial Management in Schools Manual. This manual is a comprehensive policy and procedure framework including;

- Numerous procedures, fact sheets, tools and FAQs; and
- TI 321 personal use of Credit Card reporting (update pending).

The School Compliance Program comprises regular reviews of internal controls to assess relevance, adequacy and effectiveness and includes:

- dedicated teams who provide advice, support and professional development to schools on procurement matters;
- newsletters detailing current financial issues including procurement ; and
- the school compliance program that reviews 50 schools per financial year. Those schools not subject to a compliance review are required to complete a control self-assessment questionnaire.

5. CONCLUSION

The Department has in place a risk management and control environment that reflects the complexity and volume of its activities and financial transactions.

No control system or approach is perfect and apart from investing in deeper forensic analysis and tools, the approach adopted by the Department provides a multi-faceted front line to safeguard public expenditure in the education system.