

PORTFOLIO: TRANSPORT – PUBLIC TRANSPORT AUTHORITY

ISSUE: INQUIRY INTO PUBLIC SECTOR PROCUREMENT OF GOODS AND SERVICES – ADDITIONAL INFORMATION

7. *Please provide a submission to the Committee from the Public Transport Authority in relation to the inquiry into public sector procurement of goods and services and its vulnerability to corrupt practices. Attached are the terms of reference for the inquiry.*

PTA Overview

The following information is provided to assist the Committee in understanding PTA's business in terms of procurement. PTA:

- has an approved Asset Investment Program of over \$8b;
- awards about 700 contracts per annum;
- has an annual operating budget of about \$1.5b;
- expends about \$200m on goods and services per annum with a further \$550m expended on operating funded bus, railcar and ferry contracts;
- processes nearly 62,000 invoices per annum valued at about \$1.9b in 2017-18 (Opex and Capex);
- has about 190 active purchasing cards which result in about 8,500 transactions per annum valued at about \$3.5m;
- has about 3,000 active suppliers; and
- has approximately 1,800 FTEs of which about 450 are involved in procurements and/or expenditure transactions.

Terms of Reference

1. Adequacy and nature of oversight mechanisms, policies and guidelines for procurement within the WA public sector to prevent corruption and serious misconduct.
 - PTA's procurement policies are all in accordance with government policy, the *Financial Management Act 2006* and associated Treasury Instructions;
 - PTA's procurement policies, procedures and systems are certified AS/NZS9001:2016;
 - all transactions are captured and managed through corporate systems including PTA's Ellipse financial management system, Contracts Management Module, FlexiPurchase (purchasing card) system and Purchase to Pay tool;
 - each of these systems include system controls/checks to ensure compliance and provide a rich source of data for data analytics by PTA staff, our independent internal auditors (KPMG) and Officer of the Auditor General appointed auditors;
 - all tenders with an estimated value of greater than \$5m or where the procurement is considered complex or high risk, require a Procurement Plan to be prepared and approved in accordance with PTA's Delegation of Authority (attachment 1). This plan includes the assessment criteria and weightings;
 - PTA has a probity adviser in place for all contracts awarded. For low value/low risk contracts this role is undertaken by in-house professional procurement staff from the Finance and Contracts division and for high value/high risk contracts, by an independent external Probity Adviser; and
 - all PTA staff allocated a purchasing card must complete an online procurement training course before being provided the card.

2. The profile and training of public sector personnel engaged in procurement
 - PTA operates a centralised procurement model managed by the Finance and Contracts Division which is headed up by the Executive Director Finance and Contracts (the Chief Finance Officer);
 - all staff within the Finance and Contracts Division are subject to ongoing integrity checks;
 - all new appointees to PTA are required to provide a National Police Clearance certificate, dated 3 months or less from the date of application for a position;
 - all PTA positions (including within Finance and Contracts) within PTA have defined Job Description Forms which outline the role, core duties and responsibilities, and essential work-related requirements (including where appropriate formal qualifications and professional memberships) which applicants must meet;
 - training on procurement policies, procedures and systems is provided on an ongoing basis with targeted training delivered as required; and
 - PTA staff attend ad-hoc specialised external training courses as appropriate.
3. Corruption prevention and risk strategies deployed in the WA Public Sector Agencies
 - PTA is committed to the prevention of corruption and does this by ensuring appropriate policies, procedures and systems are in place and by ensuring a positive culture and values.
 - PTA's induction of new employees includes awareness of the Code of Conduct policy (attachment 2).
 - PTA conducts regular presentations to key personnel on fraud and corruption prevention. In July-August 2018, a presentation by PTA's Managing Director, Executive Director Finance and Contracts, Manager Investigations and Public Sector Commission (PSC) personnel was delivered to 476 staff. Previously, joint presentations involving the Corruption and Crime Commission (CCC) were conducted in April 2016, to a like number of staff.
 - Media and similar examples of fraud and corruption and scams are circulated to appropriate staff where relevant.
 - PTA has a dedicated Internal Investigation Section, which undertakes a wide range of functions relating to fraud and corruption prevention and investigations. The Investigation Section:
 - is responsible for promoting an ethical culture across PTA;
 - manages fraud and misconduct resistance strategies and conducts training and presentations to effectively reduce fraud and misconduct across PTA;
 - is responsible for conducting pre-employment integrity checks for all new PTA employees;
 - manages the integrity screening process for PTA including developing guidelines for specific roles and conducting ongoing integrity reviews;
 - is responsible for conducting ongoing integrity checks for 'nominated positions' across PTA, meaning that nominated staff are subject to ongoing random integrity checks, with a strong focus on 'high risk roles' relating to purchasing, finance and procurement;
 - conducts tailored presentations relating to specific groups of PTA employees, in addition to all other generic training/presentations;

- is involved in developing online Accountable Ethical Decision Making awareness packages, relating to fraud and misconduct prevention;
 - conducts Investigations into misconduct allegations relating to PTA employees;
 - conducts investigations into matters reported to (or received from) PSC or the CCC;
 - liaises with the CCC/PSC on risks identified during specific investigations;
 - manages Public Interest Disclosure and awareness strategies across PTA and completes annual reporting requirements to PSC; and
 - seeks opportunities to improve the effective and efficient operations of PTA's investigative and disciplinary policies and practices and regularly attends interagency conferences to identify risks and implement risk preventions strategies.
4. The sufficiency and use of sanctions for individuals found to have engaged in corrupt and serious misconduct and serious misconduct in procurement duties
- As outlined in section 3, PTA has a dedicated Internal Investigation Section which investigates allegations of fraud and corruption. In undertaking these investigations, the section works closely with the CCC, PSC and the WA Police as required. The Manager Investigations reports direct to the Managing Director, PTA.
 - In general terms, allegations and/or issues relating to procurement processes are very rare at PTA. However, some examples of investigation processes and the engagement with the CCC between 2014 – 2017 are as follows.

Case 1

- PTA became aware that a Senior Geographic Information System Officer within its School Bus Services Branch submitted a legitimate claim for reimbursement for optical services, but he altered his claim to obtain a higher payment for himself.
- An internal discipline process was commenced, and PTA's Investigator liaised with the WA Police when it was identified that the employee had altered tax invoices to show invoices at a higher value than had been issued by the service provider.
- The findings of the internal investigation identified that the employee had fraudulently altered invoices in order to claim a higher financial benefit for himself and had breached PTA's Code of Conduct Policy.
- The proposed penalty for the employee's actions included dismissal.
- The matter and outcome were reported to the CCC pursuant to section 28 of the *Corruption, Crime and Misconduct Act 2003*.
- PTA terminated the employment of the employee.
- The employee was also formally charged by the WA Police and was later convicted.

Case 2

- In the course of regular internal auditing of purchasing card purchases, a PTA Manager identified several suspicious purchases by a PTA Occupational Safety and Health Coordinator.
- As a result of the concerns identified, PTA's Investigation Section commenced an investigation into the purchasing card usage of the employee.

- As a result of enquiries conducted by the Investigation Section, it was identified that the employee had made unauthorised purchases (personal items) on her PTA issued purchasing card and had also fraudulently altered some of the invoices to justify the purchases.
- During the course of the ongoing investigation, some concerns were also raised about the authenticity of University of NSW qualifications reported by the employee when applying for her position at PTA. It was later identified that the employee's University of NSW qualifications had been falsified. In addition, it was identified that the employee had sought and was granted approval for reimbursement for training undertaken by her with the University of NSW, which was also found to be falsified.
- PTA's Internal Investigation Section found that the employee had falsified her University of NSW qualification and had falsified her claims for expenses relating to obtaining that qualification.
- The proposed penalty for the employee's actions included dismissal. The matter and outcome were reported to the CCC pursuant to section 28 of the *Corruption, Crime and Misconduct Act 2003*.
- PTA terminated the employment of the employee and PTA's Investigation Section liaised with the WA Police about the issues identified in its investigation process. The employee was later formally charged by the WA Police and was later convicted.
- PTA recovered all losses from the former employee.

Case 3

- In February 2017, the CCC received anonymous information via telephone regarding allegations of misconduct by a PTA Manager. The matter was referred by the CCC to PTA, for formal investigation.
- The caller to the CCC alleged that a PTA Manager had provided information to his friend at a contracting company, regarding the value of tenders submitted for a contract to construct a bike shelter at Perth Railway Station. Further, the caller alleged that the Manager had inappropriately directed all PTA employees to only direct work to the same contractor (his associate) and to exclude all other PTA suppliers.
- PTA's Internal Investigation Section conducted a formal investigation into the allegations. The investigation included formal recorded interviews with contractors and other relevant witnesses.
- During the course of the investigation, PTA's Investigation Section was able to identify the anonymous complainant and he was subsequently formally interviewed. All relevant internal documentation relating to the work undertaken along with historical data relating to the awarding of panel contract work was reviewed.
- As a result of PTA's investigation, the Internal Investigation Section was able to conclude that there was no evidence to support the allegation that the Manager provided information to the Contractor regarding the tender process for the construction of the bike shelter at Perth Railway Station, nor was there any evidence to support the allegation that the Manager had directed any PTA to favour the contractor or exclude others.
- No association between the Manager and the panel contractor was identified.
- The investigation identified that the supplier for the works at Perth Railway Station was the preferred contractor for that type of construction and all works had been completed in accordance with relevant policies and contracts.
- No action was required with respect to the actions of the PTA Manager.

5. Best corruption prevention practices in procurement from other jurisdictions
 - The Transport Portfolio's (DoT, Main Roads and PTA) Procurement Managers meet regularly to discuss and share procurement practice.
 - PTA's Manager Procurement maintains an informal network with other procurement specialists within the State Government and participates in ad-hoc inter-agency work groups from time to time.
 - PTA's Manager Investigations, Executive Director Finance and Contracts and Manager Procurement attend interagency and external conferences (where appropriate) to identify risks and implement risk preventions strategies.
 - PTA's contracted internal auditors KPMG advise PTA on trends and events in the public and private sector and recommend actions where appropriate.
6. Reform to current legal and administrative practices in the area of procurement to prevent and reduce the risk of corruption
 - As mentioned in Section 2, all new appointees to PTA are required to provide a National Police Clearance certificate, dated 3 months or less from the date of application for a position and all staff within the Finance and Contracts Division are subject to ongoing integrity checks.
 - PTA is aware that Main Roads is considering the requirement for contractors to develop, and submit with their tender a fraud and corruption plan in line with AS 8001 to be assessed as part of the tender evaluation process. PTA will liaise with Main Roads to determine its application to PTA tenders.
 - PTA's Manager Procurement participates an ad-hoc interagency work groups from time to time.
7. Adequacy of whistle-blower protection in the context of allegations of corruption in procurement
 - PTA's Public Interest Disclosure Policy is available to all staff on its internal Transnet webpage. The policy and related information provides clear advice along with examples and the contact details of PTA's designated Officers. Posters advertising Public Interest Disclosure are also located on various staff notice boards within PTA buildings.
 - PTA's external website provides suppliers and contractors with a documented process for lodging grievances during procurement processes. Grievances are investigated by PTA's Manager Procurement and actioned in accordance with PTA and government policy.

CURRENT AS: October 2018

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