VAGO

Victorian Auditor-General's Office

Personnel Security: Due Diligence Over Public Service Employees

May 2020

Personnel Security: Due Diligence Over Public Service Employees

The Victorian Auditor-General's Office acknowledges Australian Aboriginal peoples as the traditional custodians of the land throughout Victoria. We pay our respect to all Aboriginal communities, their continuing culture and to Elders past, present and emerging.

VAGO

Victorian Auditor-General's Office

The Hon Shaun Leane MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Colin Brooks MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of the *Audit Act 1994*, I transmit my report *Personnel Security: Due Diligence over Public Service Employees.*

Yours faithfully

Andrew Greaves
Auditor-General

21 May 2020

Contents

Acronyms

ACIC	Australian Criminal Intelligence Commission
COI	conflict of interest
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DTF	Department of Treasury and Finance
HCM	Human Capital Management
IBAC	Independent Broad-based Anti-corruption Commission
PAS	professional advisory services
PROV	Public Record Office Victoria
SPC	state purchase contract
SS	staffing services
VAGO	Victorian Auditor-General's Office
VDP	voluntary departure package
VPS	Victorian public service
VPSC	Victorian Public Sector Commission
VO	Victorian Ombudsman
VSB	Victorian Secretaries Board
WoVG	whole of Victorian Government
WWCC	Working with Children Check

Abbreviations

the Standard	*Australian Standard 4811—2006 Employment screening*

Audit overview

The Victorian public service (VPS) relies on employees, contractors and consultants who are appropriately qualified, competent and act in the public interest.

To achieve this, VPS agencies and departments must have effective personnel security measures, including employment screening. If properly implemented, these measures help to control fraud and corruption risks during recruitment and maintain the integrity of the VPS.

This audit examined personnel security and conflict of interest (COI) measures at all eight government departments and the Victorian Public Sector Commission (VPSC) and undertook detailed file reviews at three agencies—the Department of Health and Human Services (DHHS), the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF).

Our audit objective was to determine whether fraud and corruption controls regarding personnel security are well-designed and operating as intended at the audited agencies.

Conclusion

Government agencies have well-designed policies and procedures that operate to minimise the risk of recruiting unsuitable employees from outside the VPS, and from hiring a former VPS employee with an undisclosed history of misconduct. However, the same controls are not in place for contractors or consultants, nor are they operating effectively for candidates who are existing VPS employees.

There are also gaps in how agencies identify and reduce the risk of conflicts of interest during recruitment.

These weaknesses unnecessarily expose the VPS to fraud and corruption risks and increase the risk that unsuitable individuals may work in the VPS.

VPSC's pre-employment screening policy is a positive first step towards a consistent, better practice approach to employment screening in the VPS. However, the policy does not cover all key employment screening activities and VPSC has not integrated its other guidance material to provide comprehensive instruction for agencies on employment screening.

Screening VPS employees

VPS-wide pre-employment screening policy

In December 2019, VPSC released its *VPS Pre-employment Screening Policy,* combining two previous versions. The policy sets a minimum standard for pre-employment screening in the VPS.

The policy is a positive step towards achieving a consistent approach to employment screening that aligns with better practice. However, it primarily focuses on a candidate's misconduct history, and does not cover all aspects of employment screening. VPSC publishes additional guidance on some aspects of employment screening, such as police and reference checks, but these do not provide a consolidated source of guidance for hiring agencies that is fully consistent with *Australian Standard 4811—2006 Employment screening* (the Standard).

We acknowledge VPSC's ongoing work with agencies to review and improve the policy.

Police checks

National police checks identify a candidate's criminal history, which in Victoria includes both findings of guilt and charges. Police checks provide critical information about a candidate's suitability for work in the VPS.

All audited agencies have policies and processes that are adequate for completing criminal history checks for candidates new to the agency (external candidates), which includes confirming their identity.

However, no audited agency periodically rechecks the criminal history of existing employees to assess ongoing suitability for their role. Only the Department of Education and Training (DET) requires a mandatory police check for candidates who are existing employees (internal candidates) and the Department of Justice and Community Safety (DJCS) requires a mandatory police check for employees working directly with offenders. This means the ongoing suitability of VPS employees, who may have access to sensitive information or work in high-risk roles supporting vulnerable people, is not checked. This practice is not consistent with the Standard, which recommends a risk-based approach to employment screening for both external and internal candidates.

Compliance with police checks

We examined whether DHHS, DPC and DTF completed police checks of external candidates in 2017–18 and 2018–19. Figure A shows high levels of compliance across all three departments.

Figure A
Police check compliance rates, 1 July 2017 to 30 June 2019
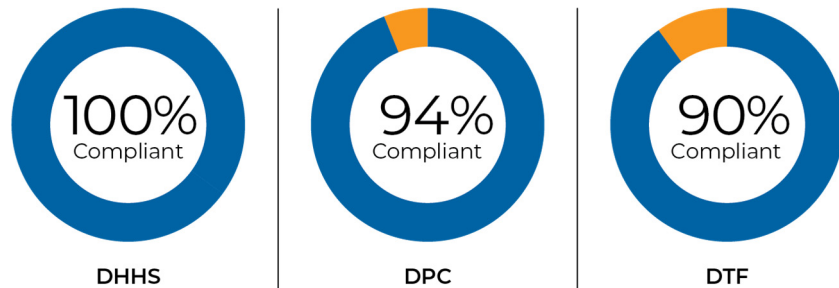
Note: See Appendix B Data analysis methodology for details.
Source: VAGO.

Candidates with a criminal history

Agencies do not automatically exclude candidates with a criminal history. While we found some inconsistency in practices, all agencies had fair and thorough processes for assessing a candidate's criminal history. Agencies provide the candidate with an opportunity to respond to the police check outcome, and appropriately assess the risk the past criminal conduct may pose to the agency and the services it provides.

We examined the assessment processes at DHHS, DPC and DTF and found the agencies hired 66 per cent (19 of 29) of the candidates with a criminal history. All three agencies have well-designed processes for assessing a candidate with a criminal history, although DHHS's poor record keeping practices meant we could not verify if staff conducted thorough assessments in 35 per cent (6 of 17) of the files we reviewed.

Reference checks

Reference checking is a longstanding, fundamental requirement for all VPS recruitment. It confirms a candidate's employment history and past performance and conduct.

All agencies have policies and procedures that require mandatory reference checks for external candidates. They provide clear instructions and templates for hiring managers to conduct reference checks.

However, not all agencies include specific questions about candidates' past misconduct and performance concerns.

Agencies also are not consistently conducting reference checks for internal candidates:

- DHHS and DJCS have policies and procedures that require two mandatory reference checks.
- DTF and VPSC require one reference check.
- Other agencies have limited or no documented guidance in relation to internal candidates.

These gaps mean that hiring managers may not have all the relevant information to assess a candidate's suitability.

Compliance with reference checks for external candidates

We examined whether DHHS, DPC and DTF completed the two mandatory reference checks for external candidates in 2017–18 and 2018–19 and found that compliance varied across the three departments, as shown in Figure B.

Figure B
Completion of reference checks (external candidates), 1 July 2017 to 30 June 2019
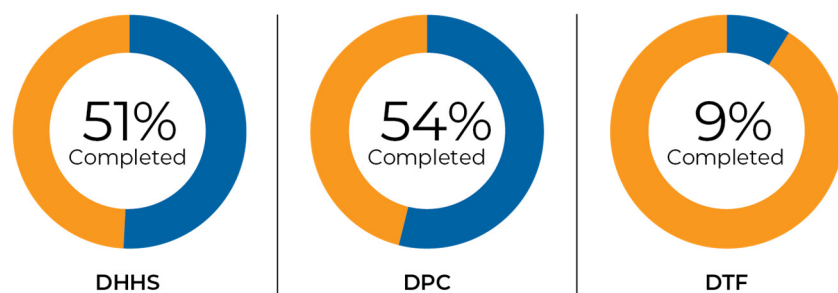
51% Completed	54% Completed	9% Completed
DHHS	DPC	DTF

Note: Reference checks that were marked as complete in the selection report, but had no evidence attached were considered as incomplete.
Note: See Appendix B Data analysis methodology for details.
Source: VAGO.

The low compliance rates were likely caused by poor record keeping practices rather than the reference checks not being done. We found that:

• DHHS's and DPC's selection report templates instruct hiring managers to attach reference checks, but this is not being done consistently.

• DPC instructs hiring managers to keep records of reference checks but does not specify how or where to keep them.

Screening misconduct history

Agencies need accurate information about a candidate's past conduct, including any involvement in misconduct, to make sure they recruit suitable candidates.

We used agencies' misconduct and payroll data to determine whether VPS staff with misconduct histories are being re-employed in the VPS. This involved:

• identifying employees that had been terminated for misconduct or resigned during a misconduct investigation between 1 July 2015 and 30 June 2019

• comparing this to payroll data to determine if they were re-employed in agencies between 1 July 2017 and 30 June 2019.

Only 4 per cent (9 of 205) of the VPS employees that were terminated for misconduct, or resigned during a misconduct investigation, were re-employed in the agencies. This indicates that controls are working to minimise the risk of employing candidates with potentially unsuitable misconduct histories.

COI policies and procedures

All agencies have COI policies that acknowledge recruitment as a high-risk activity. However, this had not led to effective recruitment policies and procedures that control the risk of COI.

All agencies, aside from the Department of Environment, Land, Water and Planning (DELWP), DJCS and VPSC, do not have thorough processes to ensure selection panels identify, declare and manage COI during short listing. Rather, they consider COI at the end of the recruitment phase, which is too late. We also found that the level of instruction and training for hiring managers on COI risks during recruitment varies, and in some instances does not exist.

During the audit, DPC and DHHS reviewed and improved their COI processes for recruitment. DPC now requires the selection panel chairperson to document that COI have been declared and managed throughout the recruitment process. DHHS improved its instructions to hiring managers emphasising the requirement to declare COI early in the recruitment process.

Screening contractors and consultants

Consultants are engaged primarily to provide expert analysis or advice. **Contractors** provide works or services but are not directly employed by the agency.

Government agencies can engage contractors and consultants by using whole of Victorian Government (WoVG) purchasing agreements, or by using their own procurement processes.

We examined the following three WoVG agreements:

- staffing services state purchase contract (SPC)
- professional advisory services SPC
- eServices register.

WoVG purchasing agreements include state purchase contracts and supplier registers. They aim to provide common goods and services to departments at a lower price and standardise the way the government buys from suppliers.

These agreements include broad obligations for suppliers to provide suitable staff, but no specific obligations to conduct basic screening. For example, all audited agencies conduct police checks for new employees, but there is no mandatory requirement for contractors or consultants who may be filling a similar role. Instead, government agencies must specifically request any screening for each contractor or consultant engagement.

This approach is not working. We examined a sample of 299 staffing services SPC engagements from 1 July 2017 to 30 June 2019 and found that 60 per cent did not have a police check. Our analysis showed that during this period, up to 3 430 contractors worked in the VPS without being checked for a criminal history.

We also found that the audited agencies do not fully understand their obligation to request screening for each contractor or consultant. The current guidance and templates, both for WoVG agreements and direct procurement processes, do not clearly instruct and prompt hiring managers to consider what screening is required for consultants and contractors.

Record keeping

We found that agencies' record keeping policies and practices for employment screening are inconsistent and not always compliant with the Public Record Office Victoria (PROV) standards. Many agencies use a combination of the VPS online recruitment system and their own record management systems, spreadsheets and paper files.

This creates the risk that agencies cannot find an employment screening record that demonstrates a candidate's suitability. If a recruitment decision is challenged, agencies would not be able to provide evidence to support their decision.

In particular, ineffective record keeping practices at DHHS, DPC and DTF meant that they could not locate copies of reference checks and therefore could not be sure that they were done.

This emphasises the importance of the proposed VPS-wide Human Capital Management (HCM) project, which aims to implement a single system for recording all information for recruitment processes across the VPS, including employment screening.

A consistent VPS human resources system

In January 2019, the Victorian Government launched the One VPS initiative, designed to make it easier for the VPS to work together. One VPS was responsible for the development of the HCM system, a shared human resources system for all eight government departments and Victoria Police. On Friday 1 May 2020, the government announced One VPS would cease, but the Enterprise Services Branch in DPC would continue to oversee the HCM project.

The HCM project team is in the design phase, with implementation planned to start in 2020–21, initially at the Department of Transport (DoT). Previously, One VPS and VPSC co-chaired the project steering committee and DPC intends to continue this arrangement, which is important to ensure the success of the HCM project.

There is considerable work for agencies and the project team to understand the HCM's potential risks and benefits. If it is successfully implemented as a single source of information on VPS employees' work history, it has the potential to reduce ineffective record keeping practices and improve the effectiveness of employment screening in the VPS.

Recommendations

Our 13 recommendations fall under five key topics, with specific recommendations for VPSC, DPC and DTF, as well as recommendations that apply to all audited agencies.

Topic	We recommend that …	
	Agency	
Victorian public service-wide policies and guidance material	**Victorian Public Sector Commission**	1. Update, and consolidate into a single location, the Victorian public service pre-employment screening policy and other guidance on employment screening, which aligns with *Australian Standard 4811—2006 Employment screening.* The policy and guidance material must provide clear instruction for agencies on risk-based employment screening practices, which allow for variation in agencies' workforce risk profiles. The policy and guidance should cover all aspects of employment screening, including but not limited to: • police checks • reference checks • eligibility to work checks • qualifications checks • role-specific checks (see Section 2.4).
		2. Update the Victorian public service pre-employment screening policy to provide clear guidance on employment screening requirements for candidates who are existing Victorian public service employees (see Section 2.4).
		3. Review and update recruitment guidelines and toolkits to ensure that all recruitment guidance material incorporates employment screening and conflicts of interest (see Section 2.4).
Victorian public service-wide human resources system		4. Continue to work with the Human Capital Management project team to ensure that the system incorporates Victorian public service-wide employment screening practices (see Section 2.5).
Victorian Government purchasing agreements	**Department of Treasury and Finance**	5. Include in the staffing services state purchase contract obligations for suppliers to: • conduct a police check for all contractors they engage in the Victorian public service. To avoid duplication of police checks, suppliers should be obliged to provide the date and outcome of the last police check for the contractor when responding to a request for quote • include in their quarterly reporting the date of police check and confirm their suitability for the engagement • comply with the Victorian public service pre-employment screening policy and any specific requests for screening (see Sections 3.3, 3.4 and 3.6) 6. Include in the professional advisory services state purchase contract a clear obligation for suppliers to ensure that the individuals they employ in Victorian public service engagements undergo appropriate, risk-based employment screening, consistent with *Australian Standard 4811—2006 Employment screening* (see Section 3.3). 7. Review and improve the user guides and templates for the staffing services agreement and professional advisory services agreement to: • ensure they clearly define the contractual obligations for suppliers and government agencies in relation to screening contractors or consultants

Topic	We recommend that …	
	Agency	
		• prompt hiring managers to document specific screening requirements based on the risk of the contractor/consultant role at the start of the procurement process • require suppliers to document the screening completed prior to the engagement starting (see Section 3.5).

	Department of Premier and Cabinet	8. Include in the eServices register head contract clear obligations for suppliers to:
		• ensure individuals they employ in Victorian public service engagements:
		   • have a police check within the past 12 months (or as requested by the government agency)
		   • have conducted any other relevant screening checks as requested by the government agency
		• submit information to the government agency on the dates and outcomes of the screening checks conducted prior to the engagement starting (see Section 3.3).
		
		9. Review and improve the user guides and templates for the eServices register to:
		• ensure they clearly define the contractual obligations for suppliers and government agencies in relation to obtaining police checks or other relevant screening checks, for individuals delivering services in government agencies
		• prompt hiring managers/procurement leads to document specific screening requirements based on the risk profile of the engagement at the start of the procurement process
		• require suppliers to document the screening completed prior to the engagement starting (see Section 3.5).

Employment screening policies and procedures	**All audited agencies**	10. Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening (see Section 2.2).
		11. Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant role and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening (see Section 3.7).
Conflict of interest policies and procedures		12. Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short listing phase of recruitment, prior to interview (see Section 2.7).
		13. Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes (see Section 2.7).

Responses to recommendations

We have consulted with VPSC, DTF, DPC, DHHS, DELWP, DJCS, the Department of Jobs, Precincts and Regions (DJPR), DET, and DoT and we considered their views when reaching our audit conclusions.

As required by the *Audit Act 1994*, we gave a draft copy of this report to those agencies and asked for their submissions or comments. All agencies responded to the proposed report, accepted all the audit recommendations, and provided a detailed action plan to address them. Appendix A includes these responses and plans.

1

Audit context

In 2018–19, the VPS employed 47 961 people. Personnel security—including employment screening—is a critical part of managing this workforce.

1.1 Why this audit is important

VPS employees hold positions of trust, with responsibility for administering Victoria's finances and assets, and providing a wide range of services to the community, including vulnerable Victorians.

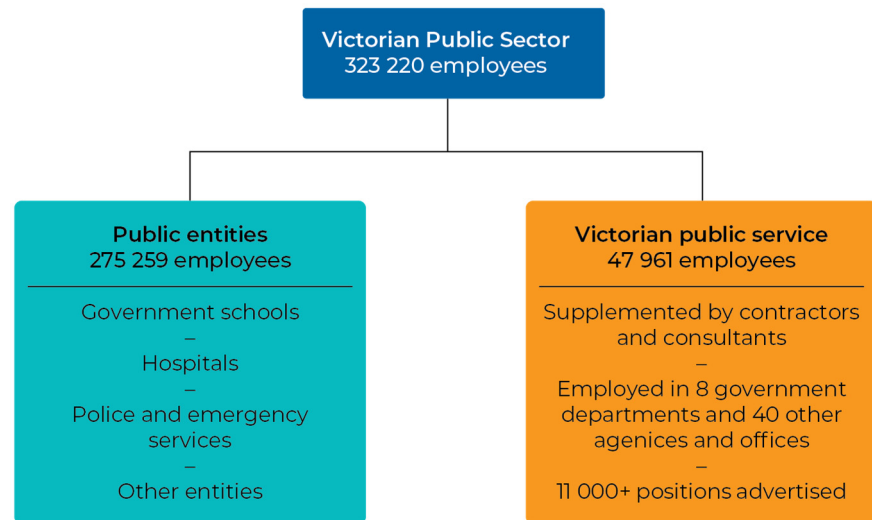The public expects that VPS employees are competent and appropriately qualified, and that they act in the public interest.

Employment screening helps to safeguard the integrity of the VPS, reduce the risk of fraud and corruption, and maintain the quality and safety of government services.

1.2 The VPS workforce

Figure 1A shows the composition of the VPS workforce and how it fits into the broader Victorian public sector.

Figure 1A
VPS workforce 2018–19

Victorian Public Sector
323 220 employees

Public entities
275 259 employees

Government schools
–
Hospitals
–
Police and emergency services
–
Other entities

Victorian public service
47 961 employees

Supplemented by contractors and consultants
–
Employed in 8 government departments and 40 other agenices and offices
–
11 000+ positions advertised

Source: VAGO, based on VPSC data.

1.3 Recruiting the right people

The integrity of the VPS relies on recruiting the right people.

Integrity bodies in Victoria and interstate have repeatedly highlighted public sector recruitment as a high-risk area for fraud and corruption.

Fraud and corruption risks

The VPS is susceptible to fraud and corruption risks during recruitment, including:

Fraud is dishonest activity involving deception that causes actual or potential financial loss.

- false information on a resume
- false references
- failure to disclose a criminal record or past misconduct
- failure of hiring managers to to declare and manage a COI.

Corruption is dishonest activity in which an employee acts against their employer's interests and abuses their position to achieve personal gain or advantage.

Figure 1B summarises relevant audits and investigations that have exposed these weaknesses across Australia, and recent policy changes in Victoria related to employment screening.

Figure 1B
Key investigations, audits and policy changes relating to employment screening

2013

November
Victorian Ombudsman (VO) reports on issues in public sector employment. It highlights inadequate pre-employment screening, COI issues and the recycling of employees with a misconduct history.

2017

June
VO investigates Metropolitan Fire and Emergency Services Board and finds that it fails to declare COI during recruitment.

September
South Australian Independent Commission Against Corruption charges senior public servant with deception and dishonesty over employment application documents.

2018

March
VAGO audit on fraud and corruption controls finds inadequate employment screening and COI processes at audited agencies.

August
Independent Broad-based Anti-corruption Commission (IBAC) highlights significant issues in corruption and misconduct risks associated with employment practices in the Victorian Public Sector.

September
VO investigates allegations of nepotism, misuse of position, and COI in recruitment at Bendigo South East College.

October
Premier of South Australia establishes the Eligibility of Re-employment Register, which contains information about misconduct matters of public sector employees.
–
VPSC releases *VPS executive pre-employment screening policy*, which requires all executives to declare the past 10 years of any misconduct history.

2019

September
VPSC releases *VPS pre-employment screening policy*, which requires all VPS staff to declare the past 7 years of any misconduct history.

December
VPSC merges the previous 2 policies into the *VPS pre-employment screening policy*.

Source: VAGO, based on published reports from integrity bodies.

Employment screening requirements

Employment screening includes a range of pre-employment checks and, where appropriate, ongoing monitoring of employees.

Figure 1C summarises key employment screening activities in the VPS, based on better practice guidance from the Standard and relevant policies issued by VPSC. These are described further in Section 1.4.

Figure 1C
Key employment screening checks in the VPS

Type of check	Purpose
Identification	To verify a candidate's identity using the '100 points' formula and sighting some form of photo identification.
Criminal history check (police check) • national police check • international police check (optional)	To identify whether the candidate has a criminal record. Shows any findings of guilt and, in Victoria, also includes intent to summons and charges. An international police check may be warranted if an applicant has lived overseas for a substantial period of time.
Qualifications	To confirm currency and accuracy of any mandatory qualifications and professional memberships.
Employment references	To verify the candidate's employment history and past conduct, including any performance concerns or misconduct matters.
Declarations and consent	For the candidate to disclose any misconduct history within the last 10 years for VPS executives and seven years for VPS employees. Provide candidate consent for the prospective employer to verify the candidate's employment history with current and past employers.
Eligibility to work	To confirm: • Australian residency status and thereby the candidate's eligibility to work in Australia • the preferred candidate has not received a Voluntary Departure Package from the VPS, where a three-year restriction on re-engaging with the VPS applies.
Other—role specific	To comply with any other role-specific requirements, for example, Working with Children Checks (WWCC).

Source: VAGO, based on information from the Standard and VPSC policy guidance on employment screening.

Screening potential contractors and consultants

An agency can engage contractors and consultants using WoVG purchasing agreements, which includes SPCs and supplier registers. They can also use their own procurement processes.

Like VPS employees, contractors and consultants can hold positions of trust and, where necessary, they should be subject to the same screening.

WoVG agreements

State purchase contracts

DTF is responsible for managing and monitoring the following SPCs that we included in this audit:

- staffing services (SS) SPC—provides government agencies with fixed-term, permanent and executive staff for the administration, information technology and specialised recruitment categories

- professional advisory services (PAS) SPC—provides professional advice and consultancy services in relation to commercial and financial matters, tax, and probity.

eServices register

DPC is responsible for maintaining the eServices register. This register includes multiple suppliers for the public sector to engage across a broad range of information technology-related services, including the provision of software and equipment solutions and maintenance services.

Direct engagement of contractors and consultants

Government agencies can also use their own procurement processes when engaging contractors and consultants. This can occur when the hiring agency has resource needs outside the scope of the WoVG agreements or has tried unsuccessfully to find a suitable resource through WoVG agreements.

COI during recruitment

A **COI** is where a person has private interests that could improperly influence, or be seen to influence, their decisions or actions in the performance of their public duties.

Conflicts may be actual, potential or perceived.

Recruitment is a high-risk area for COI. Employees involved in recruitment must identify, declare and appropriately manage any COI early in the recruitment process, for example if a candidate is a family member, friend or business associate.

In August 2018, VPSC released a model COI policy and guidance material for the Victorian public sector. It designed this to help government agencies assess their COI risks and implement their own COI policy, or align it with the new VPSC policy. The VPSC guidance clearly states that government agencies must ensure selection panels are aware of their obligation to declare and manage any COI during recruitment.

1.4 Legislation, policy and guidance

Australian employment screening standards

The Standard provides good practice guidance for employment screening. It is not mandatory but provides a foundation for VPS agencies to develop their employment screening policies and procedures. The Standard seeks to:

- reduce the risk of a security breach

- ensure the integrity of personnel within an organisation.

Protective security framework

The Australian Government's *Protective Security Policy Framework*—issued by the Australian Attorney-General and mandatory for all Australian Government entities—states that personnel security is one of the three domains for protective security.

The Victorian Government does not have an equivalent whole-of-government protective security policy or framework. Instead, each VPS department and agency has its own approach.

Figure 1D shows how employment screening fits into an organisation's protective security measures.

Figure 1D
Australian Government *Protective Security Policy Framework* 2018
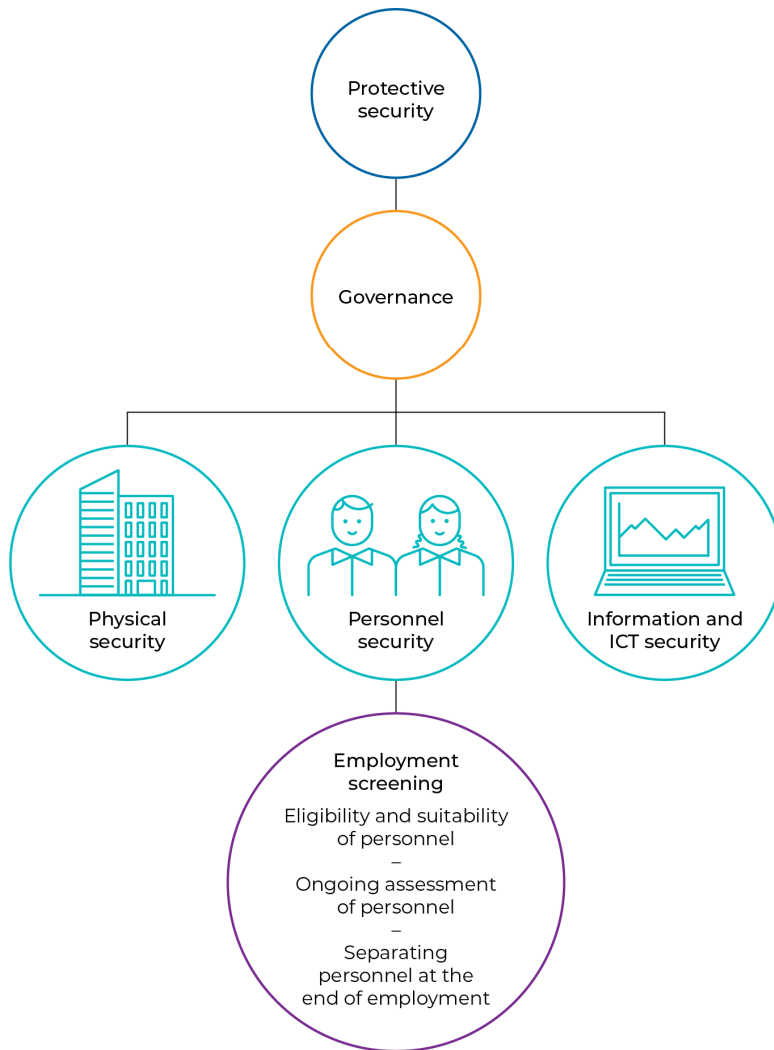
Source: VAGO, based on information from the *Protective Security Policy Framework.*

Victorian employment-related legislation

The *Public Administration Act 2004* and the *Code of Conduct for Victorian Public Sector Employees 2015* set out the values and expected behaviours of VPS employees.

Under Part 3 of the *Public Administration Act 2004*, the Secretary of each department is responsible for employing VPS employees in their department. Part 2 obliges each Secretary, and in turn all VPS employees, to follow a set of employment principles, including that all recruitment decisions must be based on merit.

All employees must comply with the code of conduct, which includes demonstrating integrity and impartiality in all aspects of their role, including recruitment processes.

Each department must also take reasonable steps to minimise and manage the risk of fraud, corruption and other losses as per the *Standing Directions of the Minister for Finance 2018*, under the *Financial Management Act 1994*.

Victorian Protective Data Security Framework

Established under the *Privacy and Data Protection Act 2014,* and issued by the Office of the Victorian Information Commissioner, the *Victorian Protective Data Security Framework Version 2, February 2020*, aims to monitor and ensure the security of public sector information. The framework includes the *Victorian Protective Data Security Standards* October 2019, which are 12 high-level mandatory requirements to protect public sector information, covering:

- governance
- information security
- personnel security
- information technology security
- physical security.

These standards mandate that all agencies establish, implement and maintain personnel security controls. These actions help to ensure employees' suitability to access public sector information and mitigate agencies' personnel security risks.

VPSC policy

VPSC aims to strengthen public sector efficiency, effectiveness and capability, and to help maintain public sector integrity. VPSC is also responsible for developing Victorian public sector policies and procedures.

VPSC leads the development of VPS-wide pre-employment screening policies, which are mandatory for all VPS roles and aim to minimise the risks of employing unsuitable candidates. Figure 1E summarises the policies.

Figure 1E
VPS pre-employment screening policies

Date of release	Policy	Details
30 October 2018	VPS Executive Pre-employment Screening Policy (rescinded)	This policy stated that VPS executives must: • complete a statutory declaration regarding the accuracy of their application • disclose any misconduct or disciplinary matters in their past 10 years of employment • give consent for pre-employment checks, including contacting their current and previous employers to verify past employment, conduct and performance.
13 September 2019	VPS Pre-employment Screening Policy (rescinded)	Introduced the same requirements for VPS employees as executives, except that they must disclose misconduct matters from the past seven years instead of 10.
23 December 2019	VPS Pre-employment Screening Policy	This policy replaced the previous two policies and covers both executives and VPS employees. It maintains the different time frame for past misconduct disclosures for VPS employees and executives.

Source: VAGO, based on information from VPSC policies and guidelines.

Human Resources Systems Statement of Direction

> **The VSB** includes the secretaries of each department, the Chief Commissioner of Police and the Victorian Public Sector Commissioner. It aims to coordinate policy initiatives, promote leadership and information exchange information in the public sector.

In 2016, the Victorian Secretaries Board (VSB) issued the *Human Resources Systems Statement of Direction* for the VPS. It aims to uplift, modernise and deliver consistent human resources services across the VPS. Effective recruitment practices, including employment screening, are an important part of a human resources system.

In January 2019, the VSB endorsed the establishment of One VPS as a branch within DPC. The One VPS initiative was designed to make it easier for the VPS to work together. Its remit included developing a shared human resources IT system for all government departments and Victoria Police, known as the HCM system. The HCM system is a critical part of the *Human Resources Systems Statement of Direction* for the VPS.

On 1 May 2020, the VSB announced that One VPS would cease, but the HCM project would continue as part of DPC's Enterprise Services Branch. The HCM project team is in the design phase, with implementation planned to start in 2020–21.

1.5 What this audit examined and how

We examined whether the audited agencies' fraud and corruption controls regarding personnel security are well-designed and operating as intended. To do this, we:

• analysed the recruitment and employment screening policies and procedures at all VPS departments and VPSC

• compared policies and practices against the Standard, and VPS-wide policies and guidelines.

We then selected DHHS, DPC and DTF and performed detailed testing to determine how well they implement their policies and procedures and control personnel security risks.

We reviewed workforce and recruitment data and examined a sample of recruitment files from between 1 July 2017 and 30 June 2019. We focused on whether these agencies had completed the following employment screening for successful candidates:

- police checks prior to their start date

- reference checks

- mandatory statutory declaration and consent forms for new executives.

We did not test the implementation of the VPS pre-employment screening policy, as it has only been effective since 1 October 2019.

We examined the screening practices for contractors and consultants engaged through three WoVG agreements, and the audited agencies policies and procedures for engaging contractors and consultants outside the WoVG agreements.

We also examined policies and procedures relating to COI during recruitment across all audited agencies.

We used data to examine whether:

- agencies hired ex-VPS employees between 1 July 2017 and 30 June 2019, who had been terminated for misconduct or had resigned during a misconduct investigation between 1 July 2015 to 30 June 2019

- staff engaged through the SS SPC between 1 July 2017 and 30 June 2019 had a police check prior to starting work.

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements*. We complied with the independence and other relevant ethical requirements related to assurance engagements.

The cost of this audit was $490 000.

1.6 Report structure

The remainder of this report is structured as follows:

- Part 2 examines employment screening of VPS employees.

- Part 3 examines screening of contractors and consultants.

2

VPS employee screening

Employment screening is a critical part of personnel security because it helps to ensure that candidates are suitable for VPS roles.

In this Part, we examine all audited agencies' employment screening policies and procedures, and how DHHS, DPC and DTF implement them.

We also examine if audited agencies are managing COI risks during recruitment.

2.1 Conclusion

All audited agencies have employment screening policies and procedures that minimise the risk of recruiting external candidates who would be unsuitable VPS employees. However, the agencies do not apply this same rigor to candidates who are existing VPS employees. In particular, agencies are not undertaking and/or documenting reference checks for these candidates.

We also found that agencies do not sufficiently focus on identifying and managing COI during recruitment, with panel members not routinely declaring and managing any conflicts prior to interviewing candidates.

These gaps increase the risk of hiring unsuitable candidates and exposes the VPS to fraud and corruption.

VPSC's VPS-wide pre-employment screening policy is a positive step towards a consistent, better-practice approach. However, it does not cover all employment screening activities detailed in the Standard and it does not provide clear instruction for agencies on all aspects of employment screening.

2.2 Employment screening policies and procedures

Police checks

Policies, procedures and guidance

All audited agencies recognise that police checks, including identity checks, are a key component of employment screening. Agencies can use a third-party provider to conduct police checks or seek accreditation with the Australian Criminal Intelligence Commission to conduct police checks themselves.

Figure 2A summarises the policies, procedures and guidance on police checks for each agency against the Standard's key recommended elements.

Figure 2A
Policies, procedures and guidance on police checks

Key recommended elements from the Standard	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
General information									
Authorised body conducts police checks	Third-party	DET	DHHS	DJCS and VicPol	Third-party	Third-party	Third-party	Third-party	Third-party
Consent obtained from candidate prior to police check	✓	✓	✓	✓	✓	✓	✓	✓	✓
Who requires a police check?									
External candidates	✓	✓	✓	✓	✓ (a)	✓	✓	✓ (b)	✓
Internal candidates	✗	✓	✗	✓ (c)	Partial (d)	Partial (d)	✗	✗	✗
International candidates (h)	✗	✗	✓	✓	✓	Partial (e)	✗	✓	Partial (e)
Timing of police checks									
Complete check before start date (f,g)	✓	✓	✓	✓	✓	✓	✗	✓	✓
Periodic police checks throughout employment	✗	✗	✗	✗	Partial (d)	Partial (d)	✗	✗	✗

(a) For engagements longer than six weeks.
(b) For staff engaged longer than eight weeks and for executive officers engaged for longer than six months.
(c) Mandatory for specific high-risk roles only, such as prison employees.
(d) Not mandatory but may be requested by hiring manager or required for some roles.
(e) Checks done but not documented in policy/procedure.
(f) Except for international police checks.
(g) The Standard recommends completing checks before offer of employment (not the start date) and recognises this is preferable but not always possible.
(h) Police check completed for candidates who have resided overseas for a substantial period of time.
Source: VAGO.

Using third-party providers for police checks

All agencies, except DTF, use the same third-party provider to conduct police checks. Each agency has individual contracts with varying conditions and rates.

Adopting a risk-based approach

The Standard recommends that agencies base employment screening on the level of risk associated with the role. High-risk roles require more extensive screening. This applies equally to external and internal candidates.

However, as shown in Figure 2A, only DET and DJCS's recruitment policies specifically state that police checks should be conducted for internal candidates. This means that an employee may have a police check at the start of their employment then never have one again, regardless of the time they have worked in the VPS or the various positions they may hold. During the employee's career, there may be some changes to their criminal history that may result in them being unsuitable for their current role.

DJCS's policy states that it does not accept previously completed police check certificates from other agencies. This is appropriate, because police certificates are only valid for six months and DJCS has high-risk roles, such as prison officers, that require more detailed checks.

The Standard also recommends that agencies take a risk-based approach by periodically screening employees. This includes conducting periodic police checks throughout a staff member's employment. We found that no audited agencies are currently doing this.

Keeping records of police checks

VPSC refers to the PROV standard titled *Retention and Disposal Authority for Records of Common Administrative Functions*, which authorises the disposal of police checks. The PROV standard outlines that police checks may be destroyed six months after they recruit a new employee. PROV provided advice to VAGO that like all disposal actions in their Standards, the six-month time frame is a minimum requirement, meaning that agencies can choose to destroy police check records any time after this period.

We found that agencies have inconsistent practices for disposing of police check records. For example:

- DET, DHHS and DJCS destroy police check records after three months for roles that are not direct client services

- DELWP, DJPR, DOT and VPSC's internal procedures do not specify when to dispose of police check records.

The Australian Criminal Intelligence Commission (ACIC) has accredited DHHS, DET and DJCS to conduct their own police checks. While their practice of destroying police check records after three months complies with the ACIC's requirements, it is not consistent with the PROV standard. VPSC has agreed to consult with PROV and update their guidelines to provide clear instructions for agencies.

Compliance with police checks at DHHS, DPC and DTF

We examined DHHS, DPC and DTF's recruitment files and payroll data to determine if these departments complete police checks for new employees in line with their policies and procedures. As shown in Figure 2B, DHHS did so for all new employees, while DPC and DTF did so for the vast majority.

Figure 2B

Police checks for new employees, 1 July 2017 to 30 June 2019

100% Completed	94% Completed	90% Completed
DHHS	DPC	DTF
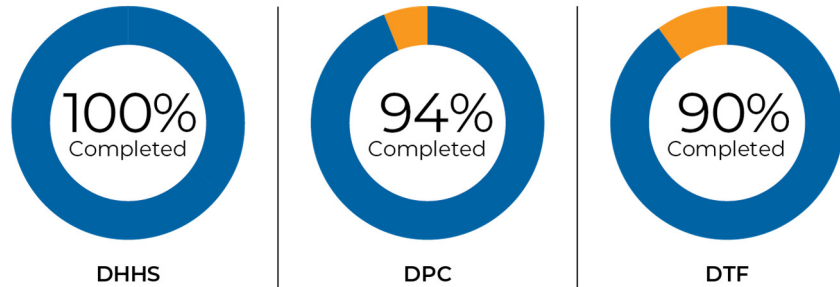
Note: Incomplete police checks include those where the selection report or other records did not provide a reason for not requiring a police check.
Note: Analysis of DHHS data included all new employees. DPC and DTF analysis was based on a random sample. See Appendix B Data analysis methodology for details.
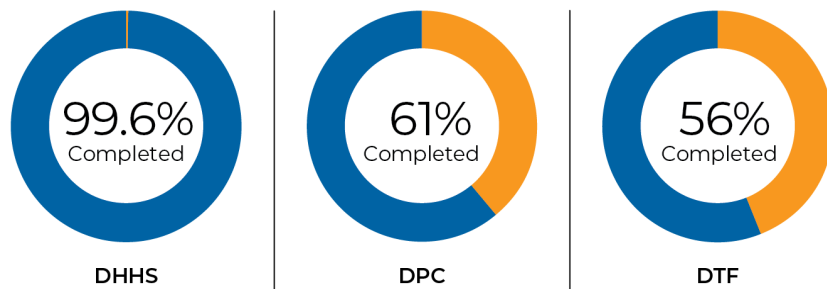*Source:* VAGO.

Timing of police checks at DHHS, DPC and DET

Completing a police check before a new employee starts ensures that an agency knows the employee's criminal history before they can access information and resources, and potentially service vulnerable clients. This minimises the agency's exposure to financial, information and reputational risks, as well as any risks to client safety.

Figure 2C summarises the percentage of police checks completed before an employee's start date at DHHS, DPC and DTF.

Figure 2C

Police checks completed before employee start dates

99.6% Completed	61% Completed	56% Completed
DHHS	DPC	DTF

Note: Testing period was 1 July 2017 to 30 June 2019. See Appendix B Data analysis methodology for details.
Source: VAGO.

DHHS's high rate reflects its strong policy and procedural controls. For example, DHHS will not put new employees on the payroll system if they do not have a police check date and receipt number. This is appropriate given that many DHHS jobs are high-risk, such as roles in child protection.

DPC's results reflect its recruitment policy and procedures, which do not specify that police checks should occur before new employees start.

While this may be appropriate for low-risk roles, it is not consistent with the Standard and should only occur if there is a valid exception. However, DPC has a new draft policy that requires police checks to begin before it sends offers of employment, which should address this issue.

DTF's policy states that new employees should finalise their police check prior to their start date. However, as shown in Figure 2C, this is often not occurring.

Reference checks

Reference checks allow agencies to confirm the accuracy of a candidate's employment history and identify any issues with their previous conduct. They also help hiring managers better understand and assess a candidate's suitability.

Figure 2D summarises the audited agencies' reference check policies and procedures. All agencies have reference checks as part of their employment screening requirements, although requirements for internal candidates are not always clearly stated. This means that hiring managers may not be aware of an existing employee's performance and suitability for a role.

Figure 2D
Policies and procedures on reference checks

	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
General information									
Reference checks required	✓	✓	✓	✓	✓	✓	✓	✓	✓
At least one referee is a current or recent direct manager/supervisor	Partial[a]	Partial[a]	Partial[b]	✓	✓	Partial[a]	✓	✓	✓
Agency may contact non-nominated referees (with the candidate's consent)	✓	✓	✓	✓	Not stated[c]	Not stated[c]	✓	Not stated[c]	✗
Reference check template includes a specific question/s on conduct issues	Partial[d]	Partial[d]	✓	Partial[d]	✓	✓	✓	✓	✓
Number of reference checks required									
External candidates	2	Not stated[c]	2	2	2[a]	2[a]	2	2	2
Internal candidates	Not stated[c]	Not stated[c]	2	2	2[a]	2[a]	Not stated[c]	1	1–2[e]

(a) Documented in the reference check template or guide, but not in a policy/procedure.
(b) Preferred but not mandatory.
(c) Not documented in employment screening policy/procedure or recruitment and selection policy/procedure.
(d) No specific question on conduct issues but includes questions on professionalism or if the referee would employ them again and why.
(e) At the discretion of VPSC. Depends on how long candidate has been working at VPSC.
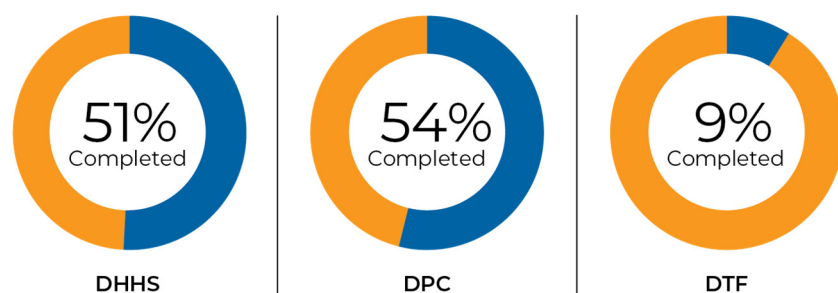*Source:* VAGO.

Compliance with reference checks at DHHS, DPC and DTF

We examined a sample of recruitment records at DHHS, DPC and DTF to determine if they complete reference checks in line with their policies and procedures.

We found that overall there is poor compliance with reference checks, as shown in Figure 2E.

Figure 2E
Completion of reference checks, 1 July 2017 to 30 June 2019

51% Completed	54% Completed	9% Completed
DHHS	**DPC**	**DTF**

Note: Reference checks that were marked as complete in the selection report but had no evidence attached were considered incomplete.
Note: See Appendix B Data analysis methodology for details.
Source: VAGO.

The low compliance rate in Figure 2E is likely caused in part by the poor record keeping practices we found for reference checks at all three agencies:

- DPC relies on hiring managers to store copies of reference checks, but it does not provide instructions on how to do this.

- DTF's reference check template instructs hiring managers to attach reference checks to the selection report. However, this is not occurring, and the new version of the template does not include this prompt.

- DHHS also instructs hiring managers to attach reference checks to the selection report. While DHHS's regional divisions complied with this requirement in 94 per cent of our sample files, the central division only complied 7 per cent of the time.

This means reference checks cannot always be found, which is a problem if a candidate challenges a recruitment decision, or if questions arise about an employee's suitability. It is also likely that at least some of these hires occurred in the absence of reference checks, which misses a vital opportunity in the recruitment process to not only ensure the best candidate is hired but also avoid introducing security risks into the agency.

Role-specific checks

Qualification, accreditation and professional membership checks

Qualification, accreditation and professional membership checks help hiring managers determine if a candidate has the appropriate knowledge and skills to perform a role. We found inconsistent practices across the agencies for these checks. DTF and DELWP did not have a process in place at all, which increases the risk of hiring unqualified staff.

Figure 2F summarises the agencies' policies and procedures for conducting qualification, accreditation or professional membership checks.

Figure 2F
Policies and procedures for checking qualifications/accreditations/professional membership

Policy requirement	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
Requires qualifications check	Partial[a]	✔[b]	✔[b]	✔[b]	✔[b]	✔[b]	✔[b]	✘	✔[b]
Requires accreditations/ professional membership check	✘[c]	✔[b]	Partial[d]	✔[b]	✔[b]	✘	✔[b]	✘	N/A[e]
Requires candidate to provide proof of qualifications/ accreditations/ professional membership	✘[c]	✔	✔	✔	✔	✔	✔	✘	✔
Verifies qualifications/ accreditations/ professional membership by contacting issuing body	✘[c]	✔	✔[f]	Partial[d]	✔	✔	✔	✘	✔

(a) May be required for mandatory qualifications/accreditations/professional memberships.
(b) Required for mandatory qualifications/accreditations/professional memberships only.
(c) Agency advised is done in practice, but not documented in employment screening policy/procedure or recruitment and selection policy/procedure.
(d) Required or conducted but not documented in employment screening policy/procedure or recruitment and selection policy/procedure.
(e) Does not have roles with mandatory professional accreditations/registrations/memberships.
(f) Risk-based; only if there are concerns about the qualification.
Source: VAGO.

Working with Children Checks

The *Working with Children Act 2005* aims to prevent harm to children by ensuring appropriate checks of people who work or volunteer with children. A WWCC involves checking a person's:

- criminal history relating to serious sexual, violent and drug offences
- professional conduct, by checking with registration schemes and panels.

Unlike a police check, a WWCC provides certification of suitability to work with children. It is valid for five years. The WWCC unit at DJCS continuously monitors the status of everyone with a WWCC and notifies employers if they identify any relevant updates or changes to an individual's criminal history.

The WWCC process involves the following steps:

- Employees must provide a WWCC receipt number before starting work, as evidence they have applied for a WWCC.

- Employees must list all organisations they currently work or volunteer for on their WWCC application.

- Organisations must keep records of the original receipt number and the final assessment notice.

- Employees must apply for a new WWCC before their current check expires.

We reviewed policies and procedures for audited agencies that have employees who work with children, summarised in Figure 2G.

Figure 2G
WWCC procedures

	DELWP	DET	DHHS	DJCS	DJPR
Requires current WWCC prior to beginning roles that involve child-related work	✓	✓	✓	✓	Partial[a]
Requests employees to register the agency as their employer with the WWCC unit	✗	✓	✓	✓	✗
Monitors compliance with WWCC throughout staff's employment	✗	✓	✓	✓	✗

(a) Required but not documented in employment screening policy/procedure or recruitment and selection policy/procedure.
Source: VAGO.

Agencies with many employees in child-related work have thorough policies and procedures. We did not see the same strong processes at agencies with small numbers of child-related roles. This is concerning given the potentially serious consequences of unsuitable employees working with children.

We examined DHHS's processes in more detail and found strong controls to ensure that, where necessary, staff complete or renew WWCCs prior to working with children. DHHS:

- records WWCC details on its payroll system and employment cannot progress without this information

- has a dedicated safety screening coordinator, who monitors the status of all WWCCs and conducts monthly compliance reporting.

Eligibility to work checks

Right to work in Australia

All candidates applying for a role in the VPS must be an Australian citizen, permanent resident, or hold a valid work permit or visa. Candidates must declare their right to work in Australia in their application.

Agencies collect a preferred candidate's proof that they are able to work in Australia as part of the identity and police checks. When a candidate is not an Australian or New Zealand citizen, all agencies, except for DJPR and DTF, have clearly documented procedures to verify visa status through the Australian Department of Home Affairs' Visa Entitlement Verification Online system. DJPR and DTF do not specify this requirement in their recruitment processing, which increases the risk it will not be done.

Voluntary Departure Package

Victorian public sector agencies can offer a voluntary departure package (VDP) to employees when they require large-scale structural change or employee reductions. Employees who accept this agree to a three-year restriction on re-employment in the Victorian public sector.

All candidates applying for a role in the VPS must declare if they have received a VDP in the past three years.

There is currently no WoVG register or checking mechanism for agencies to confirm whether candidates' attestations on VPDs are correct. Agencies rely on the candidate to accurately disclose this in their application. If fully implemented, the VPS-wide HCM system will help to address this issue by maintaining a single record of a candidate's past VPS employment.

Instruction and training for hiring managers

Many hiring managers do not routinely engage in recruitment. Agencies must provide detailed, consistent instructions and, where necessary, more formal training to ensure that hiring managers follow the recruitment process, including employment screening.

We found that all agencies provide sufficient instructions online, or in guidance material, to prompt hiring managers to conduct employment screening and reference checks in line with the agency's policy.

DET, DJCS, DJPR and DPC provide formal recruitment training that includes reference checks. However, only DJPR's formal training educates hiring managers on employment screening, a critical step in the recruitment process.

All agencies rely on their human resource teams to provide instruction and advice as needed to hiring managers during the recruitment process.

Only DPC provides guidance to its employees on providing a reference for current or past employees. Although it is not a requirement under the Standard, this signals DPC's expectations of its staff when acting as a referee, including what information they can disclose.

Monitoring compliance

Monitoring compliance with employment screening helps identify risks and assure an agency that its processes are working.

Most agencies have strong controls to monitor compliance with police checks, but not for other important employment screening activities. In particular, agencies lack monitoring over role-specific checks, such as mandatory qualification checks and executive officer declarations.

Agencies do not have risk-based compliance and quality assurance processes, such as periodic reviews of recruitment files, that cover all aspects of employment screening.

No agency has a comprehensive checklist or process that requires hiring managers to confirm they have completed all relevant employment screening checks.

Without the ability to detect candidates who have not completed all relevant employment screening checks, agencies may employ candidates who are not suitable.

2.3 Managing adverse screening outcomes

The audited agencies do not automatically exclude candidates with an adverse employment screening check result. All agencies, excluding DELWP, have a documented process for assessing an adverse screening outcome, which primarily relates to a candidate with a criminal history.

To assess an adverse employment screening check, agencies use a panel that typically includes a representative from human resources, an executive director and potentially the hiring manager. The panel assessment considers:

- the nature, severity and frequency of the offence
- the length of time since the offence took place
- whether the candidate committed the offence as a juvenile or as an adult
- any mitigating or extenuating circumstances
- the type and severity of any penalty imposed
- the relevance of the offence to the role they have applied for (for example, an information, financial and safety risk to the agency or the agency's clients)
- the candidate's character since the offence (for example, a steady employment record and favourable references from recent employers).

Based on this assessment, the Secretary, Commissioner or a delegated authority, such as a Deputy Secretary or Executive Director, decides whether the candidate is suitable for employment. At DELWP, DET and DJCS, policies and procedures relating to adverse screening outcomes do not clearly state who is responsible for deciding whether the adverse screening outcome prevents employment. Figure 2H summarises agencies' processes.

Figure 2H
Policies and procedures for managing adverse screening outcomes

	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
Documented process to assess adverse screening outcome	Partial(a)	✓	✓	✓	✓	✓	✓	✓	✓
Responsibility for conducting assessment and making a recommendation is clear	✘	✓	✓	✓	✓	✓	✓	✓	✓
Decision-making responsibility clearly stated	✘	✘	✓	✘	✓	✓	✓	✓	✓
Avenues of appeal available to internal and external candidates	✘	✓	Partial(b)	✓	✓	Partial(c)	✓	✓	✓

(a) Process exists but not documented in policy/procedure.
(b) Documented in the Safety Screening Assessment Form, but not in a policy/procedure.
(c) Request for re-confirmation and further checking available if initial result disputed but avenues of appeal for assessment decision not stated in policy/procedure.
Source: VAGO.

Managing adverse screening outcomes at DHHS, DPC and DTF

We examined whether DHHS, DPC and DTF comply with their policies and procedures relating to adverse screening outcomes.

Figure 2I shows that DHHS deviated significantly from its procedure in six of the 17 files we reviewed (35 per cent). These files did not have a completed assessment form, which means there is no record of what factors the panel considered, the reason for the final decision and ultimately whether the candidate was suitable for the role. Of these six, five resulted in the candidate not being employed. This creates a risk for DHHS if a candidate contests a decision, or if concerns arise about a hired candidate's suitability.

DPC followed its procedure in eight out of 10 files we reviewed (80 per cent). In the other two files, DPC's assessment panel only included two of the three required members.
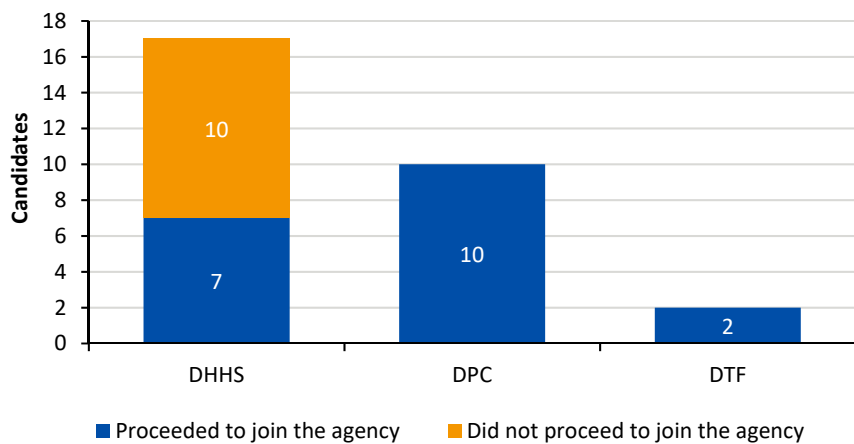
Figure 2I

Compliance with procedures for managing adverse screening outcomes, 1 July 2017 to 30 June 2019
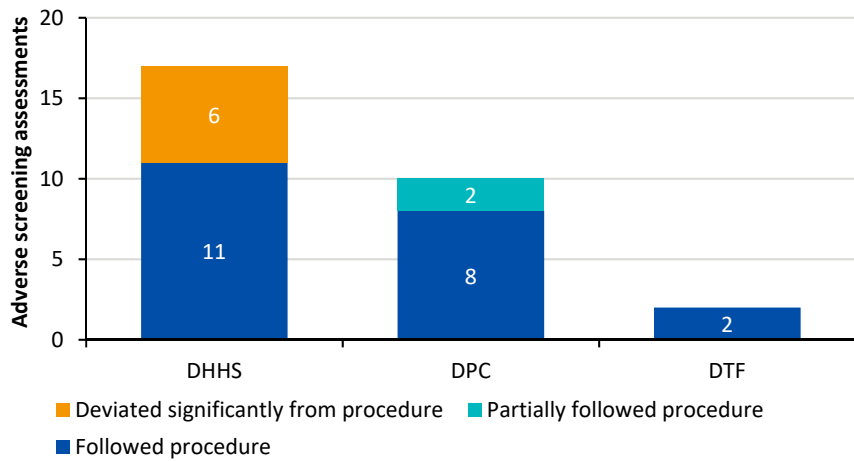
Note: For DHHS we randomly selected a number of files due to a large number of files available. DTF and DPC had smaller numbers of adverse screening outcomes, so we examined all files.
Source: VAGO.

The departments employed some, if not all, of the candidates with an adverse screening outcome, as shown in Figure 2J.

Figure 2J

Adverse screening outcome and employment, 1 July 2017 to 30 June 2019

Note: For DHHS we randomly selected a number of files due to a large number of files available. DTF and DPC had smaller numbers of adverse screening outcomes, so we examined all files.
Source: VAGO.

2.4 VPS-wide employment screening policies

If consistently implemented, VPSC's VPS-wide pre-employment screening policy will help ensure consistent practices and reduce fraud and corruption risks during recruitment. We outline the key features of the policy below.

Key policy feature	Details
Candidate statutory declaration	This requests the candidate to disclose: • termination for misconduct in any previous role • history of substantiated misconduct (last seven years for VPS employees and 10 years for executives) • involvement in any open misconduct investigations • resignation during a misconduct investigation • accuracy of their application.
Candidate consent form	This allows the prospective employer to: • gather information and check the accuracy of information provided by the candidate • contact the candidate's current and previous employer to verify their employment history, including past conduct and performance.
General employment screening guidance	Guides agencies to: • take a risk-based approach to screening when planning recruitment, by considering the inherent requirements and related risks of the role • validate candidates' declarations • respond to adverse conduct history.

We found that while the policy intends to set a minimum standard for pre-employment screening, it focuses primarily on a candidate's misconduct history. This is not consistent with the pre-employment screening detailed in the Standard, which covers all aspects of pre-employment screening, such as police, reference and qualification checks.

VPSC publishes other guidance material related to employment screening, such as its online *Guidance for conducting police checks* March 2015. However, this guidance, along with VPSC's recruitment policies and procedures, does not provide an integrated, comprehensive source of information on pre-employment screening for agencies.

We also found that agencies often misinterpret the intent and scope of the policy. We summarise the key gaps and issues with the policy requirements below.

Policy requirement	Gap/issue
Application of policy to internal candidates	The policy clearly states that pre-employment screening requirements are based on the risks and requirements of a position. However, it does not explicitly state that pre-employment screening applies equally to internal and external candidates.
Minimum standard for pre-employment screening in the VPS	The policy aims to set a minimum standard for pre-employment screening but focuses primarily on misconduct. Other VPSC guidance on some aspects of pre-employment screening has not been integrated into the policy.
Declarations of past misconduct history	Agencies can use employment termination agreements, known as deeds of release, which can include confidentiality clauses. These clauses can prevent a candidate from disclosing a past misconduct matter. VPSC acknowledges that this can present integrity risks for future employers. Currently, candidates can select 'do not know/cannot answer' on declarations, but there is limited practical guidance for agencies on how to manage this type of declaration, aside from ensuring they maintain confidentiality.
Validating misconduct declarations This involves contacting the candidate's previous employer to make sure their declaration is correct	The revised VPS pre-employment screening policy clearly instructs agencies to take a risk-based approach to validating misconduct declarations. However, it does not specify that this includes validating declarations where no history of misconduct has been disclosed.
Candidate's consent to contact past employers to substantiate employment history and past conduct and performances	Guidance is not clear as to whether this allows prospective employers to contact non-nominated referees, or if the consent only relates to validating misconduct declarations.

In September 2019, VPSC established the VPS pre-employment screening implementation working group, to consult with VPS agencies and generate best-practice solutions for operational issues related to the policy. The working group has established a central contact point for each agency, which prospective employers can contact to validate a misconduct declaration. This streamlines the process and helps maintain the privacy of individuals involved.

Implementing the VPS executive pre-employment screening policy

We examined if agencies had implemented the VPS executive pre-employment screening policy. At the time of our audit, the policy had been mandatory for all VPS departments for 10 months.

Only DET, DoT, DPC and VPSC have clearly defined the executive pre-employment screening requirements in their recruitment policy and procedures. This creates the risk that the other agencies will not fully implement the executive pre-employment screening policy and they may not know about a candidate's misconduct history before employing them.

Compliance with the policy at DHHS, DPC and DTF

We analysed implementation of statutory declaration and consent forms at DHHS, DPC and DTF from 30 October 2018, when the policy began, to 30 June 2019. This involved reviewing 14 recruitment files at DHHS, 17 at DPC and two at DTF.

The departments varied in their level of compliance, as shown in Figure 2K. Overall, 48 per cent of new executives did not complete the statutory declaration and consent form. Of these, more than half were internal candidates. This highlights our finding that the scope of the policy was not clear, as it did not explicitly state that pre-employment screening applied to internal candidates.

Figure 2K
Executives' completion of statutory declarations and consent forms,
30 October 2018 to 30 June 2019
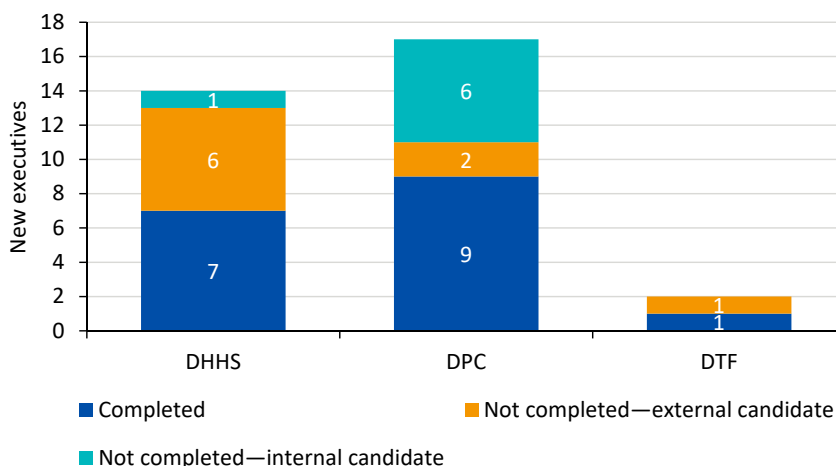
Source: VAGO.

2.5 VPS HCM system

The proposed HCM system, which is in the early design phase and scheduled to start implementation in 2020–21, aims to incorporate employment screening requirements into the recruitment process.

If successfully implemented, agencies could use the HCM system to access relevant employment-related information about current and former VPS employees. This could reduce duplication of checks as employees move between agencies. For example, the HCM system could provide a central record of an employee's:

- police check date and receipt number
- reference checks
- reason for departure
- eligibility for employment
- role-specific checks, such as mandatory qualifications and WWCC.

It is important that DPC and the HCM project team continues to work with the VPSC and VPS agencies to ensure the HCM system improves employment screening practice, is consistent with the Standards and VPS-wide policies, and does not create information privacy risks.
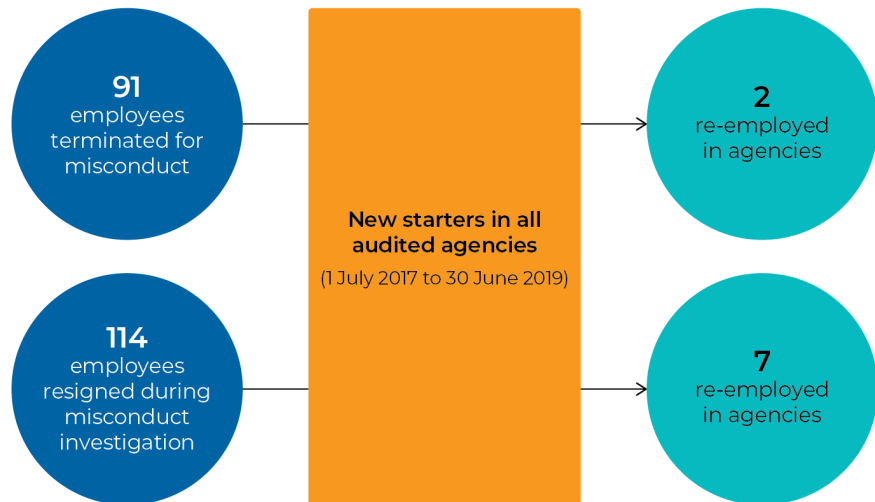
2.6 VPS employees with misconduct history

Having accurate information about a candidate's past performance and conduct is critical to recruiting the right person. This includes information about any involvement in misconduct investigations.

We assessed the risk of the audited agencies re-employing ex-VPS employees with a misconduct history by:

- obtaining misconduct data from each audited agency from 1 July 2015 to 30 June 2019. This included employees who were:
  - terminated for misconduct
  - resigned during a misconduct investigation
- comparing this data against payroll data for each audited agency in 2017–18 and 2018–19 to identify if any of these employees were re-employed in this period.

We found that nine of 205 employees (4 per cent) were re-employed in the VPS after being terminated for misconduct or resigning during a misconduct investigation. Figure 2L summarises this.

Figure 2L
VPS employees re-employed after being terminated for misconduct, or resigning during a misconduct investigation

91 employees terminated for misconduct

New starters in all audited agencies
(1 July 2017 to 30 June 2019)

2 re-employed in agencies

114 employees resigned during misconduct investigation

7 re-employed in agencies

Source: VAGO, from data provided by audited agencies.

These findings do not prove that the employees involved provided false or misleading information during recruitment. It is important to note that:

- until recently, candidates did not have to declare past misconduct matters
- the candidate may have disclosed their misconduct history during recruitment, and the hiring manager may have assessed that this did not affect their suitability for the role
- resignation during a misconduct investigation is not prohibited and does not mean that the employee was guilty of the alleged conduct.

Agency-specific practices

Reference checks and the mandatory statutory declarations of misconduct history are the main ways a hiring manager can identify a candidate's past misconduct. The following agencies have taken further steps to reduce the risk of employing a candidate without identifying any past misconduct.

DET's employment limitation policy allows it to restrict an individual's eligibility for employment with DET. It applies employment limitations on former employees dismissed for substantiated misconduct and those who resign during a misconduct investigation. An employment limitation check can provide an additional layer of assurance that a preferred candidate is suitable for employment.

DET records employment limitations in its payroll system. Preferred candidates cannot be entered into the payroll system if they have an employment limitation. It is the hiring manager's responsibility to check with payroll to ensure that a preferred candidate does not have an employment limitation.

DHHS and DJCS

DHHS and DJCS have the following processes to check the misconduct history of current or former employees:

- DHHS's referee check template prompts hiring managers to contact the relevant People and Culture team to check for misconduct history.

- DJCS's Recruitment Services crosschecks the workplace relations database weekly to identify all candidates who are current or former DJCS employees with instances of misconduct and poor performance recorded.

These processes help hiring managers determine a candidate's suitability for the role.

2.7   Conflicts of interest during recruitment

Identifying, declaring and managing a COI is necessary to ensure a fair and transparent recruitment process. If recruitment panel members do not declare a COI, their decisions may not be objective. Recent investigations from IBAC and other integrity bodies around Australia have highlighted recruitment as a high-risk area for COI.

COI policy and procedures

We reviewed the COI policies and procedures in all audited agencies. We found that all nine agencies had a COI policy that required employees to avoid wherever possible, or identify, declare and manage any COI.

While all agencies identified recruitment as a high-risk activity in their COI policies, we found that aside from DELWP, this did not translate into thorough recruitment and selection policies and practices that reduce the COI risk. Figure 2M summarises our findings.

Figure 2M
Incorporating COI risks into recruitment and selection process

	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
COI risks incorporated into recruitment and selection policies	✓	✓	✗	✓	Partial[a]	Partial[a]	✓	✗	✓
Clear process for selection panels to identify, declare and manage any COI prior to interview stage	✓	✗	Partial	✓	✗	✗	✓	✗	✓

(a) Recruitment policy states processes must be conducted in line with the COI policy but provides no other guidance.
Note: During the audit, DHHS and DPC improved their process for selection panels to identify, declare and manage COI, and they are implementing this revised process.
Source: VAGO, based on information provided by agencies.

Agencies that do not have a clearly documented process for selection panels to follow, increase the risk that a COI will not be identified or declared. Of particular note, only DELWP, DJCS, DPC and VPSC require the selection panel to declare a COI prior to the interview process commencing. The lack of COI controls during recruitment poses a critical integrity risk and is particularly concerning for agencies involved in commercial decisions or large projects.

We were unable to audit compliance with COI policies and procedures at DHHS, DPC and DTF. This is because the three agencies do not have clearly documented processes for selection panels to declare, record and manage any COI.

COI training

Training and instruction provided to managers

We found inconsistent practices across the audited agencies for training managers about COI in recruitment.

While all nine agencies made their COI policy available online, only DET and DJCS provide COI training that has a focus on recruitment risks. In both these agencies, training modules include specific examples for selection panels to identify, declare and manage any COI during recruitment. These agencies also require at least one member of the selection panel to have received the training and DET requires that each panel member indicate on the selection report whether they have received the training.

DPC is currently reviewing its COI training to include specific recruitment risks and the other agencies either do not provide any formal COI training, or the training does not include a focus on recruitment.

3

Screening contractors and consultants

Contractors and consultants contribute significantly to the VPS. They provide a broad range of services, both onsite and remotely. Like VPS employees, they can hold positions of trust and, where necessary, should be subject to the same screening as employees.

3.1 Conclusion

The audited agencies do not have processes to make sure that contractors and consultants undergo risk-based screening prior to working in the VPS. This creates a significant risk that agencies are engaging unsuitable contractors and consultants.

The WoVG agreements for engaging contractors and consultants do not clearly specify screening obligations for suppliers. Audited agencies do not understand their obligations to request screening from suppliers when engaging contractors and consultants. However, DTF and DPC are considering how to rectify these gaps and strengthen screening requirements as they renegotiate the WoVG agreements.

3.2 Engaging contractors and consultants

Government agencies can engage contractors and consultants directly through their own procurement processes or through WoVG agreements, including SPCs and supplier registers.

We assessed contracts, user guides and templates for three of the most commonly used WoVG agreements to determine if they include screening requirements for contractors. These are summarised in Figure 3A

.

Figure 3A
WoVG agreements in audit scope

Central agreement	Details	Supplier services	Overseen by	Approximate 2017–18 and 2018–19 spend
SS SPC	Contractors providing services from eight master vendors (suppliers) Includes fixed-term, permanent and executive contractors	• Administration • Information technology-related roles • Specialist roles	DTF	$784 million
PAS SPC	Consultants providing professional advice and consultancy services from 199 suppliers	• Commercial • Finance • Tax • Probity	DTF	$173 million
eServices register	Contractors providing a broad range of services from 1 376 suppliers	• Information technology services • Software and equipment solutions • Maintenance	DPC	$235 million

Source: VAGO, based on information provided by DPC and DTF.

We also considered direct engagement of contractors and consultants outside the WoVG agreements.

3.3 Screening consultants and contractors

Contractual obligations

WoVG agreements are designed to streamline procurement processes and provide consistent engagement terms and conditions.

The three WoVG agreements we looked at include general supplier obligations—such as providing suitably qualified contractors and consultants—and obligations to conduct any security requirements specified by the government agency. They do not include mandatory screening obligations for the supplier.

In all three WoVG agreements, the government agency undertaking the procurement must specifically request any screening required. The government agency must also pay for any screening, excluding police checks.

Figure 3B summarises the screening obligations for suppliers in each WoVG agreement.

Figure 3B

Summary of screening obligations in the WoVG agreements

SS SPC	PAS SPC	eServices register
Complete any security checks specifically requested by government agency.	Comply with any specific security requirements specified in the order or advised by government agency.	Comply with security requirements specified by the government agency.
Provide staff that have appropriate qualifications and experience.	Ensure staff have the necessary expertise.	Provide staff that 'possess and will use specific skills, qualifications and experience'.
Comply with the VPS Code of Conduct and the *Public Administration Act 2004*.	Ensure staff maintain the highest ethical standards.	

Source: VAGO, based on contract documents for SS SPC, PAS SPC and eServices register.

There are advantages and risks to the current approach, in which the supplier and government agency share responsibility for screening:

Advantages	Risks
It should encourage risk-based screening.	**Government agencies may employ unsuitable consultants and contractors if they do not fully understand and implement their obligations.**
Hiring managers should consider the risks and requirements of each position to determine what screening it needs.	For example, hiring managers must be aware that they need to request police checks for each contractor they engage. It is not automatic.
For example, roles with access to sensitive information or roles providing services to vulnerable people are considered to be higher risk and therefore may require more screening processes.	This requires clear instructions and processes that include screening as a key step in the contractor or consultant engagement process.

We found that the government agencies do not consistently understand their obligations to specify screening checks when they are requesting quotes for a contractor, then check that it is done when they are evaluating the submissions. For example, DTF, DELWP and DoT reported during the audit that the SS SPC supplier automatically completes police checks for all contractors, without it being specifically requested. In practice, without a request, the supplier does not do this as it is not a requirement of the contract. This confusion creates the risk that no screening is completed.

Review of WoVG agreements

DTF and DPC are reviewing the WoVG agreements. This is an opportunity to clarify suppliers' obligations to conduct basic screening, that is consistent with the Standards, for all contractors and consultants.

VPSC and DTF have started to work together to ensure that, where relevant, the WoVG agreements align with the VPS pre-employment screening policy. This is a positive step towards reducing the risk of employing unsuitable contractors and consultants, and VPSC should ensure this work captures all relevant WoVG agreements, such as eServices.

Development of a VPS-wide contractor system

The HCM project team, described in Section 2.4, intends to design a HCM system that can interface with a VPS-wide contractor management system. It is important that the HCM project team works with VPSC and agencies to ensure that they design and implement a system that will capture all relevant contractor information, including any screening conducted. This could significantly reduce the risk of engaging unsuitable contractors and improve personnel security in the VPS.

3.4 Staffing services police checks

Statistical analysis found with 95 per cent confidence that in the two-year period we examined, between 34.1 per cent and 45.1 per cent of the 5 205 SS SPC contractors engaged in the audited agencies had a police check.

To determine how many SS SPC contractors have police checks, we reviewed a sample of contractors engaged by the audited agencies from 1 July 2017 to 30 June 2019. In that period, there were 5 205 SS SPC engagements across the audited agencies, of which we sampled 299 engagements. We also considered whether:

- agencies requested police checks when they engaged a contractor
- suppliers completed police checks when requested by the agency.

Figure 3C shows that only 39 per cent (118 of 299 contractors) of our sample had a police check completed by the supplier or hiring agency.

Figure 3C
Police checks for sample SS SPC contractors, 1 July 2017 to 30 June 2019

5%
Police check
Completed by
government agency

3%
No police check
Requested by
government agency
but not completed
by supplier

35%
Police check
Requested by
government agency,
completed by
supplier

57%
No police check
Not requested by
government agency
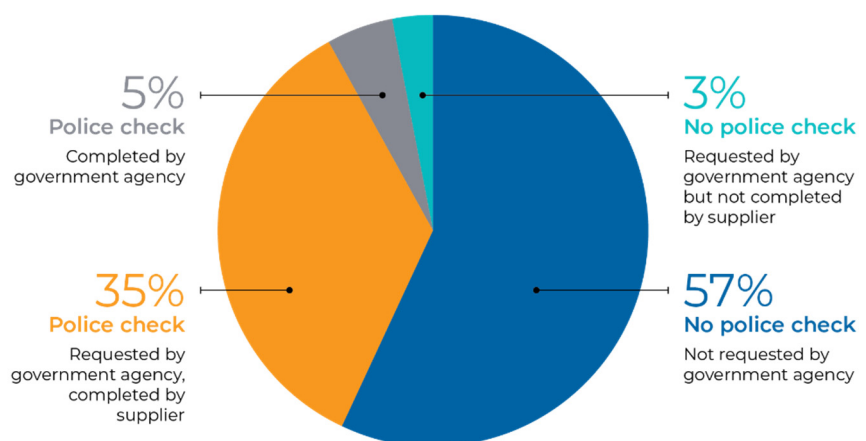
Note: Percentages have been rounded and may not match figures discussed in the text
Source: VAGO, based on data provided by DTF.

Statistical analysis of the data shows that during this period, up to 3 430 contractors worked in the VPS without being checked for a criminal history. These contractors may have accessed sensitive or financial information or provided services to vulnerable people. Without an assessment of their criminal history, there is the risk that a contractor may not be suitable for work in the VPS.

Requesting the police check

During the two-year period we examined, agencies did not request that the supplier complete a police check for 57 per cent of SS SPC engagements. This demonstrates that the agencies do not properly understand and comply with their obligations to request police checks for SS SPC engagements.

Our analysis also showed that where suppliers do complete the requested police check, in 14 per cent of these engagements it was completed over six months after the start date. This is consistent with our finding that the WoVG agreements do not clearly state obligations for suppliers to complete requested police checks prior to a contractor starting.

3.5 User guides and templates

DPC and DTF publish the user guides and templates that instruct government agencies on how to use the WoVG agreements.

The guides and templates we audited do not:

- clearly and accurately explain the screening obligations for suppliers and government agencies
- prompt government agencies to specifically consider and document screening requirements for each engagement.

This means that government agencies will not understand, or not fulfil, their obligations. This is evident in our finding in Figure 3C that a police check was requested by the government agency and completed by the supplier in only 35 per cent of SS SPC engagements.

Review of SS SPC user guide

In September 2018, DTF updated the SS SPC user guide. This was in response to IBAC's report *Corruption and misconduct risks associated with employment practices in the Victorian public sector,* August 2018.

The user guide now includes more detailed information on the supplier and government agency's obligations, including that:

Suppliers must …	Hiring agencies must …
Conduct screening for candidates they put forward, to confirm their: • qualifications and work history • past work performance and history of discipline issues • any criminal or commercial history that may make them unsuitable.	Confirm and receive written notice from suppliers on screening conducted for each candidate.

It is positive to see this greater focus on screening and clearer supplier obligations. However, we found the following gaps:

- The obligations in the user guide are not consistent with the actual contract provisions, which state the government agency must specify the screening requirements.

- While the instructions are thorough, they are not simple enough for a new hiring manager to quickly understand and implement.

- The Request for Quote and Purchase Order templates do not include a prompt for government agencies to consider screening requirements.

3.6 Monitoring contractor and consultant engagements

Personnel security relies on accurate records of who is coming and going from the workplace. Government agencies should have records of all individuals working in their organisation, including contractors and consultants. This is fundamental to protecting the integrity of the VPS.

We examined:

- audited agencies' record keeping practices for contractors and consultants engaged in WoVG agreements

- obligations on suppliers to keep records and report on the contractors and consultants they provide to government agencies.

The WoVG agreements do not oblige suppliers to keep records or report on the screening they conduct on their contractors or consultants. Nor do the audited agencies keep these records, excluding DHHS, which records completed police checks for contractors. This reduces the agencies' ability to monitor the suitability of the contractors and consultants they engage. Figure 3D summarises our findings.

Figure 3D
Summary of monitoring arrangements for SPC engagements

SS SPC	PAS and eServices register
Supplier reporting obligations	
• Provide quarterly reports to DTF, which includes individual contractor details, costs and engagement length. Does not include any information about screening contractors. • DTF consolidates and provides this information to all government agencies to monitor their use of the SS SPC.	• Keep accurate records and provide reports to the government agency, as specified in the contract. • No specific obligation to keep records of individuals engaged or details of screening conducted.
Agencies' record keeping practices	
• Seven of the nine agencies do not keep records of individual contractors engaged. • DHHS and DET record SS SPC contractors on their payroll systems. • Only DHHS records completed police checks. • All agencies reported they keep records of contractors who require access to information systems, but this does not include screening information.	• No agencies have systems or processes to record each individual engaged, or whether a police check or other screening has been done. • Agencies often engage businesses, not individuals for services. • Information systems only record the business name (not names of individual consultants and contractors or any screening information).
Risks and issues	
• Agencies do not know if contractors have been screened, or if suppliers are conducting screening when requested, increasing the risk of engaging unsuitable contractors.	• Engagements can include multiple individuals that change regularly. Keeping records of all the individuals, (including screening information) may create a significant administrative burden on government agencies. • Agencies risk engaging unsuitable individual consultants or contractors due to lack of screening information on these individuals.

Note: DET requires specific reports from suppliers to supplement DTF's reports. However, these do not include any contractor screening information.
Source: VAGO.

3.7 Direct engagement of contractors and consultants

Government agencies rely on their internal procurement processes when engaging contractors and consultants outside WoVG agreements.

We found inconsistent practices across the audited agencies for screening contractors and consultants. Often, the agencies are not properly considering the risk of the role of the consultant or contractor and what screening should be conducted. This means that agencies could engage unsuitable contractors and consultants who can potentially access sensitive information, finances or vulnerable people.

Figure 3E summarises the audited agencies' screening policies and procedures when engaging contractors outside WoVG agreements. This does not include consultants, as agencies keep records of the consultancy business rather than the individual engaged.

Figure 3E
Agency policies and procedures for screening contractors outside of WoVG agreements

	DELWP	DET	DHHS	DJCS	DJPR	DoT	DPC	DTF	VPSC
Screening policy applies to contractors	✗	Partial[a]	✓	✓	✓	✓	Partial[b]	✗	✗
Policy requires police check for contractors	✗	✗	✓	✓	Partial[e]	Partial[c]	Partial[d]	✗	✗
Guidelines require hiring managers to consider the risk of the role and screening required	✗	✗	Partial[e]	✗	Partial[e]	✗	✗	✗	✗
Records kept of contractor's details and whether a police check was conducted	✗	Partial[f]	✓	✗	✗	Partial[f]	✗	Partial[f]	✗

(a) Suitability for employment policy, only extends to contractors in schools.
(b) Employment screening policy does not include contractors in scope but states police checks can be requested.
(c) Police checks for contractors engaged for longer than six weeks.
(d) Police checks are optional for contractors.
(e) Procurement processes include prompts for screening SS SPC or other labour hire engagements, but not all contractors.
(f) Records kept of contractors but these do not include whether a police check was completed.
Source: VAGO, based on information supplied by agencies.

DET has recently strengthened their suite of contracts to require suppliers to notify DET of any fraud history and advise them if they are ex-employees of DET. However, these obligations do not specify the screening that is required, such as police checks.

3.8 Case study—DHHS contractor procurement

Since January 2019, DHHS manages all its contractor and consultant engagements—including via WoVG agreements—through its central procurement team. Prior to this, individual branches or divisions would engage contractors and consultants directly, without central oversight.

DHHS's central management of contractor procurement helps to ensure consistent processes. A procurement officer oversees each engagement and guides the hiring manager to ensure they complete mandatory steps.

DHHS processes include:

- mandatory police checks for all SS SPC engagements and a requirement for the supplier to advise the hiring manager of the outcome
- mandatory reference checks for SS SPC and eServices engagements
- optional reference checks for PAS SPC engagements
- mandatory misconduct history check for all ex-employees of DHHS.

We examined police checks completed for SS SPC across the audited agencies in Section 3.4. DHHS accounted for 36 of the 299 engagements in our sample. We found for the 36 DHHS engagements of SS SPC contractors:

Since 1 January 2019	1 July 2017 to 30 December 2018
100 per cent (9 of 9) had a police check	78 per cent (21 of 27) had a police check

This suggests that the centralised management and oversight of engagements improved compliance with police checks.

Appendix A
Submissions and comments

We have consulted with DELWP, DET, DHHS, DJCS, DJPR, DoT, DPC, DTF and VPSC and we considered their views when reaching our audit conclusions. As required by the *Audit Act 1994*, we gave a draft copy of this report, or relevant extracts, to those agencies and asked for their submissions and comments.

Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

RESPONSE provided by the Secretary, DELWP

Department of Environment, Land, Water and Planning

PO Box 500, East Melbourne,
Victoria 8002 Australia
delwp.vic.gov.au

Mr Andrew Greaves
Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Ref: SEC014620

Dear Mr Greaves

PROPOSED PERFORMANCE AUDIT REPORT PERSONNEL SECURITY: DUE DILIGENCE OVER PUBLIC SERVICE EMPLOYEES (VAGO DUE DATE 17 APRIL 2020)

Thank you for your letter of 18 March 2020 providing the Department of Environment, Land, Water and Planning (DELWP) with an opportunity to comment on the proposed performance audit report – Personnel Security: Due diligence over public service employees.

DELWP appreciates the work of your office in conducting this audit and providing DELWP with an opportunity to propose actions to address the recommendations relating to DELWP.

As requested, please find enclosed DELWP's response regarding the actions we propose to take in relation to each of the recommendations directed to DELWP, including expected completion dates.

If you would like more information about this matter, please contact Kelly Crosthwaite, Executive Director, People and Culture, on (03) 9637 8201 or email kelly.crosthwaite@delwp.vic.gov.au.

Thank you again for writing.

Yours sincerely

John Bradley
Secretary

17 / 4 / 2020

Encl.

VAGO performance audit – Personnel Security

DELWP Management Action Plan

VAGO Recommendation	DELWP Management Action	Agreed Completion Date	Responsible Officer
Recommendation #10 Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	DELWP supports this recommendation and will update the relevant policies and procedures.	30 June 2020	Laurie Barker, Recruitment and Employment Programs
Recommendation #11 Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	DELWP supports this recommendation and will update the relevant policies, procedure and templates for engaging contractors and consultants.	30 June 2020	Julie-Anne Demase, Category Manager, Contingent Labour
Recommendation #12 Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short listing phase of recruitment, prior to interview.	DELWP supports this recommendation and will review its processes and practices in relation to conflicts of interest during recruitment. DELWP notes that the Report affirms DELWP's current processes for addressing conflicts of interest during recruitment.	31 May 2020	Laurie Barker, Recruitment and Employment Programs
Recommendation #13 Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	DELWP supports this recommendation and will review training for Victorian public service employees, to ensure it includes specific guidance on conflicts of interest during recruitment processes.	30 September 2020	Tara Waller, Director Culture, Diversity and Organisational Development (Acting)

RESPONSE provided by the Secretary, DET

**Department of
Education and Training**

Office of the Secretary

2 Treasury Place
East Melbourne Victoria 3002
Telephone: 03 9637 2000
DX210083

BRI2046011

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE 3000

Dear Mr Greaves

Proposed report: Personnel security: Due diligence over public service employees.

I refer to your letter of 18 March 2020, and thank you for the opportunity to comment on the proposed report for the *Personnel security: Due diligence over public service employees* performance audit.

The Department is committed to following sound human resource practices to safeguard the integrity of the Victorian Public Service, reduce the risk of fraud and corruption, and maintain the quality and safety of government services.

The Department has reviewed the report and has no further feedback.

The Department's action plan that addresses the recommendations is attached. It reflects the work currently underway to update policies and guidelines on recruitment and selection, and identifying and declaring conflicts of interest.

Should you wish to discuss the Department's response, please contact Jonathan Kaplan, Executive Director, Integrity, Assurance and Executive Services on 7022 0119 or by email: kaplan.jonathan.e@edumail.vic.gov.au.

Yours sincerely

Jenny Atta
Secretary
6 / 4 /2020

DET action plan: Personnel security: Due diligence over public service employees					
#	Recommendations for all audited agencies	Response	#	The Department will:	End date
10	Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	Accept	10.1	Review, update and communicate the *Recruitment and Selection, Public Service Policy* to ensure screening requirements clearly state that preferred candidates who are existing employees are subject to risk-based employment screening.	Dec 2020
			10.2	Implement a process for monitoring employment screening checks.	Dec 2020
11	Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	Accept	11.1	Update Staffing Services process and guidance to: • cover all labour hire engagements (State Purchase Contracts (SPC) and non-SPC) • require managers who hire through non-SPC arrangements to conduct the same screening that is provided through Staffing Services SPC arrangements.	Jun 2020
			11.2	Communicate, to all staff, the updated requirements to screen non-SPC engagements.	Jun 2020
			11.3	Update relevant clauses in the standard form contract templates to require all suppliers of professional, consultancy or personnel services to have in place current police checks for all personnel whose services they offer under the register.	Jun 2020
12	Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the shortlisting phase of recruitment, prior to interview.	Accept	12.1	As per the Department's current *Recruitment and Selection, Public Service Policy*, panel members are required to declare and record any conflicts of interest in a central online register. The Department will update the Selection Report template to remind panel members that conflicts of interest should be recorded at the shortlisting phase of recruitment.	May 2020

13	Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	Accept	13.1	Work with Merit Protection Board to review training materials to ensure they cover the process for identifying, declaring and managing conflicts of interest.	Dec 2020

RESPONSE provided by the Secretary, DHHS

Secretary

Department of Health and Human Services

50 Lonsdale Street
Melbourne Victoria 3000
Telephone: 1300 650 172
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DX 210081

File No: 34226 20
BAC-8911

Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Proposed Performance Audit Report Personnel security: Due diligence over public service employees

Thank you for providing the department with the proposed report for the Personnel security: Due diligence over public service employees.

The department has reviewed the proposed performance audit report and the recommendations and note that there are no specific recommendations directed to the department. However, there are several recommendations directed to all audited agencies. Our plan to address these recommendations is in the attached table.

We advise that the department has no further comment in relation to the audit findings and we look forward to working with your staff in the implementation of the audit recommendations.

Yours sincerely

Kym Peake
Secretary

22/4/2020

(Enc)

OFFICIAL: Sensitive

Action Plan – Response to recommendations in VAGO Audit Report Personnel security: Due diligence over public service employees

Recommendation	Action Proposed	Completion date
10. Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening	Review and update DHHS Policies to include that candidates who are existing DHHS or VPS employees will be subject to risk-based employment screening.	30 September 2020
11. Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: a. Clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required; and b. Processes for hiring managers to ensure that they conduct any necessary screening.	Review and update DHHS policies and procedures to ensure hiring managers undertake appropriate risk assessments and determine appropriate screening required when engaging contractors and consultants outside whole of Victorian Government agreements.	30 September 2020
12. Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include that all selection panel members must identify, declare and manage any conflicts of interest and record this at the shirt listing phase of recruitment, prior to interview.	In accordance with VPSC Conflict of Interest Policy and guidance material, develop and implement new processes to ensure any conflict of interest in hiring panels is appropriately identified and managed at or prior to the shortlisting stage of the recruitment process.	31 December 2020
13. Review conflict of interest training for Victorian public service employees and include specific-guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	In accordance with VPSC Conflict of Interest Policy and guidance material, develop specific guidance materials for hiring managers and recruitment panels are able to identify, declare and manage conflicts of interest during recruitment processes appropriately.	31 December 2020

Department of Justice and Community Safety

Secretary

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DX: 210077

Our ref: CD/20/187952

Mr Andrew Greaves
Victorian Auditor-General
Level 31, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Thank you for your letter of 18 March 2020 providing me with the Proposed Performance
Audit Report 'Personnel Security: Due diligence over public service employees', and the
opportunity to formally respond.

The Department of Justice and Community Safety (the department) welcomes the audit
findings and is committed to implementing effective fraud and corruption controls regarding
personnel security that are well-designed and operating as intended. I was pleased that your
audit noted several positive policies and procedures already in place in the department.

Please find attached an action plan detailing how the department intends to implement
recommendations 10, 11, 12 and 13 of the report which were directed at all audited
agencies.

If your office requires further information, please contact Kris Waring, Director, Integrity and
Investigations at the department on 0409 641 546, or via email at
Kris.Waring@justice.vic.gov.au.

Yours sincerely

Rebecca Falkingham
Secretary

14/04/2020

Department of Justice and Community response to the VAGO Personnel Security proposed audit report

Recommendation	Proposed Action	Completion Date
10. Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	The Department of Justice and Community Safety (the department) will update its *Recruitment and Selection Policy*, Related Guidelines and its Best Practice Recruitment Training content to incorporate a risk-based screening process for existing employees.	30 Nov 2020
11. Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	The department has updated its processes to engage contractors and consultants outside Whole of Victorian Government agreements to require Secretary approval. The department will also update its *Recruitment and Selection Policy*, Related Guidelines and online content to include: • instructions and prompts for hiring managers to consider risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	30 Nov 2020
12. Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short-listing phase of recruitment, prior to interview.	The department will: • consider opportunities to build an online form solution via the current eRecruitment system to better manage COIs in recruitment. • update the Recruitment and Selection report to detail how identified conflicts of interest (COI) are managed • update *Recruitment and Selection Policy* and Related Guidelines to include greater detail about how to manage a recruitment COI. • implement a new process to ensure all panel members are sent the COI declaration form at shortlisting stage for all centrally managed VPS5 and above roles (including executive roles) and that any declared COIs are documented in TRIM.	30 Nov 2020
13. Review conflict of interest training for VPS employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	The department will update its Best Practice Recruitment Training content to include further information on how to identify, declare and manage a recruitment COI.	30 Nov 2020

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Department of Jobs, Precincts and Regions

Ref: 3422620

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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31
35 Collins Street
MELBOURNE   VICTORIA   3000

Dear Auditor-General

PROPOSED PERFORMANCE AUDIT REPORT PERSONNEL SECURITY: DUE DILIGENCE OVER PUBLIC SERVICE EMPLOYEES

Thank you for your letter of 18 March 2020 inviting the department to provide submissions and comments to be included in the report.

The department's response details the actions we proposed to take in relation to each of the recommendations directed to the department and the timeframe to complete these actions. The response has been uploaded to your secure document transfer system as requested.

I would like to acknowledge my appreciation for the additional two weeks you have provided for the department to respond to the report as we respond to the COVID-19.

The department will ensure the confidentiality and security of the report in accordance with the Audit Act 1994.

If you require any further information on any of the matters raised, please contact Gary Atherton, Director HR Business Partnering and Attraction on 0417 302 204 or by email gary.x.atherton@ecodev.vic.gov.au.

Yours sincerely

Penelope McKay
Associate Secretary

15 /04 / 2020

Attachment: Response to Recommendations

VICTORIA
State
Government

DJPR responses to VAGO recommendations – Personnel Security: Due Diligence over Public Service Employees

No.	VAGO Recommendation	DJPR- Response
All audited agencies:		
10	Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	*Accepted.* *People and Culture is committed to the implementation of risks assessments for pre-employment screening with new checklist and reporting table introduced from 1 April 2020 with all related policies updated by June 2020.* *Action Date: 30 June 2020*
11	Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	*Accepted.* *People and Culture will work with our Procurement team to ensure that hiring managers conduct necessary screening for contractors or consultants including those engaged outside of the WoVG agreements in accordance with Recommendation 9 of the report with all related policies and procedures as per updated.* *Action Date: 30 June 2020.*
12	Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short-listing phase of recruitment, prior to interview.	*Accepted.* *People and Culture will strengthen existing procedures to ensure all selection panel members identify, declare and manage any conflict of interests at the time of short listing and prior to interview.* *Action Date: 30 June 2020.*
13	Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	*Accepted.* *People and Culture will work with our Integrity Branch to review existing Conflict of Interest training ensuring specific guidance on identifying, declaring and managing during the recruitment process.* *Action Date: 30 June 2020.*

RESPONSE provided by the Secretary, DoT

Department of Transport

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Ref: BSEC-1-20-1937R

Mr Andrew Greaves
Auditor-General of Victoria
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE   VIC 3000

Dear Mr Greaves

VAGO Proposed Report - Personnel Security: Due Diligence over Public Service Employees

Thank you for your letter of 18 March 2020, enclosing your proposed draft report relating to the Personnel Security: Due Diligence over Public Service Employees audit and for the opportunity to provide comments.

The Department accepts the recommendations outlined in the proposed draft report and notes that there are opportunities for the Department to strengthen consistency in approach to employment screening particularly with regards to contractors, consultants and managing conflicts of interest. Please find attached our proposed action plan to address these matters.

The Department appreciates the opportunity to participate in this performance audit and is committed to working collaboratively with your team to support the audit process.

If you require further information for this audit, please contact Antoinette Battista, Executive Director People and Culture on 0409 976 605 or antoinette.battista@transport.vic.gov.au

Yours sincerely

Paul Younis
Secretary

30/03/2020

Enc: Department Action Plan for Proposed Audit Report

VICTORIA
State
Government

Personnel Security: Due Diligence over Public Service Employees

Proposed Action Plan

No.	VAGO recommendations	Action	Completion date
1.	Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	Agreed. DoT will update the recruitment and employment screening policies and procedures. This includes: • Reviewing the Pre-Employment Screening policy, guidelines and procedure to include grounds for rejection and avenues for appeal; • Updating the Recruitment policy in line with all other applicable policy changes; • Updating the position description template to cover data protection and disclosure information; and • Updating all referenced procedures and tools to ensure alignment to updated policies. For example, this includes the 'review reference check template' to include start/end date of employment.	May 2020
2.	Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required; and • processes for hiring managers to ensure that they conduct any necessary screening.	Agreed. DoT will update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements.	May 2020
3.	Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short listing phase of recruitment, prior to interview.	Agreed. DoT will implement processes for identifying, declaring and managing conflicts of interest during recruitment. This includes: • Reviewing and refining the existing process on Conflict of Interest (COI) policy compliance • Including relevant forms and guidelines on COI during the recruitment process • Updating onboarding materials to ensure COI responsibilities are covered • Updating the 'selection assessment report template' to ensure that panel members have made a COI declaration and have evidenced the date of the declaration.	July 2020

VAGO Proposed Report - Personnel Security: Due Diligence over Public Service Employees - Action Plan

No.	VAGO recommendations	Action	Completion date
4.	Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	Agreed. DoT will review the COI training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	July 2020

VAGO Proposed Report - Personnel Security: Due Diligence over Public Service Employees - Action Plan

2

RESPONSE provided by the Secretary, DPC

Department of Premier and Cabinet

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Melbourne, Victoria 3002 Australia
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D20/60402

Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31, 35 Collins Street
MELBOURNE   VIC   3000

Dear Auditor-General

Thank you for your letter dated 18 March 2020 including the proposed report on Personnel Security in the Victorian Public Service, and your invitation to provide submissions and comments in relation to the recommendations contained in that report.

DPC notes the proposed report and agrees with all the recommendations in the report.

Enclosed with this letter are DPC's responses to each of the recommendations directed to us, outlining the actions that we will take and projected implementation timelines. Over the relevant period, DPC will work with your staff to provide periodic updates as requested.

As Secretary of DPC and head of the VPS, I am committed to ensuring my department and the VPS implement these recommendations to provide effective personnel security measures to help control fraud and corruption risks during recruitment and to maintain the integrity of the VPS. I also take seriously our responsibility to ensure our employees, contractors and consultants are appropriately qualified, competent and act in the public interest.

Thank you for the opportunity to consider the proposed draft response and for the opportunity to respond. Should staff in your office have any questions, please contact Claire Stevens, A/Chief Human Resource Officer on 0447 556 973.

Yours sincerely

Chris Eccles AO
Secretary

Encl.

DPC Audit Recommendation Action Plan – Personnel Security: Due Diligence over Public Service Employee

DPC		
Recommendation	**DPC response**	**Timing**
1. Include in the eServices register head contract clear obligations for suppliers to: • ensure individuals they employ in Victorian public service engagements: • have a police check within the past 12 months (or as requested by the supplier); • have conducted any other relevant screening checks as requested by the government agency; and • submit information to the government agency on the dates and outcomes of the screening checks conducted prior to the engagement starting.	Recommendation incorporated into the eServices Reform Project: • Consultation with suppliers and buyers on the rationale for the new requirements. • A new contract term that requires registered suppliers in relevant categories to obtain and provide police checks. Clear provisions in the new User Guide that helps government buyers understand and implement the new requirements.	30 June 2021 *(in line with the Reform Project schedule)*
2. Review and improve the user guides and templates for the eServices register to: • ensure they clearly define the contractual obligations for suppliers and government agencies in relation to obtaining police checks or other relevant screening checks, for individuals delivering services in government agencies; • prompt hiring managers/procurement leads to document specific screening requirements based on the risk profile of the engagement at the start of the procurement process; and • require suppliers to document the screening completed prior to the engagement starting.	Recommendations incorporated into the eServices Reform Project: • A new RFQ template that prompts the government buyer to comply with the new police check requirements. • An updated User Guide that outlines the requirement and steps that government buyers must take to ensure they comply. A new tool or set of guiding principles to help government buyers assess the risk profile of their procurement.	30 June 2021 *(in line with the Reform Project schedule)*

Unofficial

All Audited Agencies		
Recommendation	**DPC response**	**Timing**
3. Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	DPC will update the recruitment and employment screening policies and procedures to outline that risk-based employment screening will be conducted at time of new appointment for both existing and new employees.	September 2020
	DPC will identify opportunities to strengthen our risk-based approach including the introduction of a requirement for police checks to be periodically conducted for high risk roles/appointments.	December 2020
	Further enhancements to risk-based employment screening may also be enabled in alignment with the Whole of VPS Human Capital Management (HCM) design and implementation.	FY21
4. Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required; and • processes for hiring managers to ensure they conduct any necessary screening.	VPSC is currently reviewing and strengthening the pre-employment screening policy and procedure to ensure screening applies to labour hire contractors working in the VPS. DPC will adhere to the VPSC's guidance once it has been finalised.	September 2020
	Until the revised process and procedure is implemented by the VPSC, DPC will update the labour hire forms and processes to provide clear guidance to hiring managers to ensure relevant screening checks are completed prior to the contractor/consultant starting at DPC.	30 June 2020
	DPC will look at ways to further strengthen employment screening processes for labour hire contractors/consultants in alignment with the VPS HCM project and implementation of employee central, recruitment and onboarding modules at DPC.	FY21
5. Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short-listing phase of recruitment, prior to interview.	Panel Chairs are notified about the importance of conflict of interest management at the time of the advertisement of a role and at the shortlisting stage of recruitment.	Ongoing
	During this audit process DPC recognised an opportunity to improve and have since strengthened the conflict of interest process for recruitment. DPC now require the selection Panel Chairperson to confirm and document on the Selection Report that conflicts of interest have been declared by the panel	Ongoing

Unofficial

	members and that it has been managed by the Panel Chair throughout the recruitment process.	
		Ongoing
	In addition, DPC's Conflict of Interest Policy was recently updated (December 2019) to now include requirements for storing conflict of interest forms where a conflict has or has not been declared for recruitment panels.	
		FY21
	DPC will develop a process for all panel members to manage conflicts of interest and ensure that it will be completed prior to interview in alignment with the VPS Human Capital Management project design and implementation.	
6. Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	DPC have included information on managing conflict of interest in our new Professional Obligation and Behaviour e-Learn module which includes a specific example on recruitment processes. This learning is assigned to new starters through our Learning Management System as part of induction, by June 2020 this will be rolled out to all staff for completion with refresher training also required every 12 months.	Ongoing
	DPC will also include information and guidance on managing conflicts of interest to our managers in the monthly Manager HR Toolkit training sessions.	30 June 2020 and ongoing
		September 2020

Other actions:

DPC is working closely with the One-VPS HCM project team on the design and process for recruitment and onboarding in the new WoVG system development. We will consider the requirements for risk-based employment screening and conflict of interests and work to develop and implement these processes within the system.

Unofficial

RESPONSE provided by the Secretary, DTF

Department of Treasury and Finance

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D20/78416

Mr Andrew Greaves
Auditor-General
Level 31/35 Collins Street
MELBOURNE VIC 3000

Dear Mr Greaves

Proposed report – Personnel Security: Due Diligence over Public Service Employees

Thank you for your letter received on 19 March 2020 inviting a response to the proposed performance audit report *Personnel Security: Due Diligence over Public Service Employees.*

The Department of Treasury and Finance (DTF) is committed to upholding the integrity of the Victorian Public Service. I acknowledge the audit report's recommendations relevant to DTF and attach an action plan to address the audit report findings.

The VPSC has progressed work on misconduct screening for labour hire staff and the provision of wording for a new section for inclusion in the State Purchase Contract (SPC) managed by DTF's Strategic Sourcing Group. This section will be embedded in the SPC to assist a central and consistent approach to addressing the recommendations of the report.

Yours sincerely

David Martine
Secretary

DTF action plan to address recommendations from *VAGO Audit - Personnel Security: Due Diligence over Public Service Employees*

No.	VAGO recommendation	Action	Completion date
5	Include in the staffing services state purchase contract obligations for suppliers to: • conduct a police check for all contractors they engage in the Victorian public service. To avoid duplication of police checks, suppliers should be obliged to provide the date and outcome of the last police check for the contractor when responding to a request for quote • include in their quarterly reporting the date of police check and whether any criminal history was disclosed for each engagement • comply with the Victorian public service pre-employment screening policy and any specific requests for screening.	The current SPC allows the option for hiring managers to undertake police checks for every candidate that is engaged, however it is not compulsory. The current contract expires on 31 December 2020. As part of broader contract negotiations with existing Master Vendors for the new SPC, DTF will negotiate the compulsory requirements for suppliers to undertake the police checks and comply with the pre employment screening process into the SPC, effective 1 January 2021. The compulsory quarterly reporting template will also be updated for suppliers to include information on police checks being completed. DTF will consult VPSC in updating the template. The SPC User Guide will also be updated to include this information as part of implementation.	1 January 2021
6	Include in the professional advisory services state purchase contract a clear obligation for suppliers to ensure that the individuals they employ in Victorian public service engagements undergo appropriate, risk-based employment screening, consistent with *Australian Standard 4811—2006 Employment screening*.	There are obligations set out in the current professional advisory services (PAS) head agreement covering security checks. However, this is not an automatic obligation for the supplier but instead a requirement of the Purchaser or DTF to request the security checks. DTF has agreed that upon the renewal of the PAS SPC the guidelines particularly in the Request for Proposal template will require security checks to be conducted by the supplier. This will streamline enforcement of the obligation on suppliers as opposed to relying on Purchasers to ensure that they are being undertaken. The template changes will come into effect for the new PAS SPC which is due to commence on or around 1 September 2020.	1 September 2020

No.	VAGO recommendation	Action	Completion date
7	Review and improve the user guides and templates for the staffing services agreement and professional advisory services agreement to: • ensure they clearly define the contractual obligations for suppliers and government agencies in relation to screening contractors or consultants • prompt hiring managers to document specific screening requirements based on the risk of the contractor/consultant role at the start of the procurement process.	The Staffing Services SPC User guide currently has guidance around the screening process. DTF is working with the VPSC to strengthen the User Guide further.	December 2020 subject to the VPSC timelines
10	Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	DTF is reviewing and updating all internal recruitment guidance procedures and materials to ensure that these documents clearly articulate that candidates who are existing employees within the VPS must also be subject to risk-based employment screening. DTF will also update internal policies and procedures to include guidance on assessing role risks.	July 2020
11	Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	DTF is committed to working within whole of Victorian government agreements when engaging contractors and consultants. DTF will review all policies and procedures to ensure they contain clear direction that hiring managers must unfailingly comply with Victorian government agreements and that they include instructions and guidance on required contractor and consultant screening.	September 2020

No.	VAGO recommendation	Action	Completion date
12	Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short-listing phase of recruitment, prior to interview.	DTF is currently participating in the VPS wide Redesign and Refresh of Recruitment and Selection Tools and Resources working group, to develop clear, centralised guidance for hiring managers across the VPS on all steps of the recruitment process. DTF will advocate for this guidance to include clear guidance for selection panel members on identifying, declaring and managing any conflicts of interest. DTF will also review internal guidance materials and procedures to ensure that declaring a conflict of interest is included as a clear step for selection panels to complete at the shortlisting stage. DTF will also review current records management systems to ensure that this step is consistently recorded centrally.	September 2020
13	Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	DTF will create comprehensive recruitment training for Hiring Managers and selection panel members, including clear guidance identifying, declaring and managing conflicts of interest during recruitment processes. DTF will update recruitment processes to mandate that all selection panels must include at least one member who has participated in this training.	September 2020

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Victorian Public Sector Commission

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Mr Andrew Greaves
Auditor-General
Victorian Auditor-General's Office
Level 31/35 Collins Street,
Melbourne VIC 3000

Dear Mr Greaves

Proposed report – Personnel security: Due diligence over public service employees

Thank you for your letter dated 18 March 2020, providing the Victorian Public Sector Commission with an opportunity to review and comment on the proposed report – *Personnel security: Due diligence over public service employees.*

The Commission has reviewed the proposed report and accepts the recommendations.

Enclosed with this letter are the Commission's responses and intended actions in relation to each of the recommendations for the Commission.

Should you require any further information, please do not hesitate to contact Ms Verity Harris, Executive Director, Integrity and Advisory, on (03) 7004 7169 or verity.harris@vpsc.vic.gov.au.

Yours sincerely

Julia Griffith
Acting Commissioner
9 / 4 /2020

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VAGO Recommendations	Commission Audit Action Plan	Completion date
1. Update and consolidate into a single location, the Victorian public service pre-employment screening policy and other guidance on employment screening, which aligns with Australian Standard 4811—2006 Employment screening. The policy and guidance material must provide clear instruction for agencies on risk-based employment screening practices, which allow for variation in agencies' workforce risk profiles. The policy and guidance should cover all aspects of employment screening, including but not limited to: • police checks • reference checks • eligibility to work checks • qualifications checks • role-specific checks.	The Commission accepts this recommendation. The Commission intends to update and consolidate into a single location, the VPS pre-employment screening policy and other guidance on employment screening, to align with Australian Standard 4811 – 2006 Employment Screening.	December 2021
2. Update the Victorian public service pre-employment screening policy to provide clear guidance on employment screening requirements for candidates who are existing Victorian public service employees.	The Commission accepts this recommendation. The Commission intends to update the VPS pre-employment screening policy to provide explicit guidance in relation to screening candidates who are existing VPS employees.	October 2020
3. Review and update recruitment guidelines and toolkits to ensure that all recruitment guidance material incorporates employment screening and conflict of interest.	The Commission accepts this recommendation. The Commission intends to review and update recruitment guidelines and toolkits to ensure recruitment guidance material incorporates employment screening and conflict of interest guidance.	December 2021

	The Commission accepts this recommendation. The Commission intends to continue working with the One VPS Human Capital Management team to ensure the system incorporates VPS employment screening practices.	December 2020
4. Continue to work with the Human Capital Management project team (part of One VPS) to ensure that the system incorporates Victorian public service-wide employment screening practices.		
10. Update recruitment and employment screening policies and procedures to clearly state that candidates who are existing employees should be subject to risk-based employment screening.	The Commission accepts this recommendation. The Commission intends to update its employment screening policies and procedures to include risk-based employment screening principles for candidates who are existing employees.	December 2020
11. Update policies and procedures for directly engaging contractors and consultants outside whole of Victorian Government agreements to include: • clear instructions and prompts for hiring managers to consider the risks associated with the contractor/consultant and what screening may be required • processes for hiring managers to ensure that they conduct any necessary screening.	The Commission accepts this recommendation. The VPSC will update its policies and procedures to include guidance for the consideration of risk when engaging contractors/consultants.	December 2020
12. Implement processes for identifying, declaring and managing conflicts of interest during recruitment. This should include: • that all selection panel members must identify, declare and manage any conflicts of interest and record this at the short listing phase of recruitment, prior to interview.	The Commission accepts this recommendation. The Commission provides hiring managers and panel members with clear guidance and instructions as part of its recruitment process to identify and manage conflicts of interests during the shortlisting phase. The Commission will continue to strengthen its processes for identifying and managing conflicts of interests	December 2020

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RESPONSE provided by the Acting Commissioner, VPSC—continued

13. Review conflict of interest training for Victorian public service employees and include specific guidance on identifying, declaring and managing conflicts of interest during recruitment processes.	The Commission accepts this recommendation. The Commission intends to review the adequacy of its conflict of interest training and ensure hiring managers are supported during the recruitment process.	December 2020

Appendix B
Data analysis methodology

Figure B1
Compliance with police checks

Report references:

- Audit Overview—Figure A (page 9)
- Part 2—Figure 2B (page 30)

	DHHS	DPC	DTF
Data source	• Payroll data • DHHS's police check report	• Payroll data (to identify new employees for our sample) • Third-party provider of police check system • DPC's police checks spreadsheet	• Payroll data (to identify new employees for our sample) • DTF's police checks spreadsheet
Data scope	External recruits	External recruits	External recruits
Data period	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019
Sampling method	Full population data provided by DHHS	Random sample	Random sample
Population size	4 330	954	257
Sample size	N/A	251	147
Analysis method	• Determine if there is a police check date against each individual employee in the population.	• Compare third-party provider report to our sample and identify If a police check was completed. • Check the third-party provider system and DPC's record management system for each individual without a police check to verify accuracy.	• Compare police check spreadsheet data against payroll data. Determine if there is a police check completion date against each individual in the sample. • If a police check completion date is not found in the spreadsheet, check the third-party provider system to confirm if a police check was completed.

Source: VAGO.

Figure B2
Timing of police checks

Report reference:

- Part 2—Figure 2C (page 30)

	DHHS	DPC	DTF
Data source	• Payroll data	• Payroll data (for sample of new employees) • Third-party provider of police check system • DPC's police checks spreadsheet	• Payroll data (for sample of new employees) • DTF's police checks spreadsheet
Data scope	External recruits	External recruits	External recruits
Data period	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019
Sampling method	DHHS provided full population	Random sample	Random sample
Population size	4 330	954	257
Sample size	N/A	251	147
Analysis method	• Calculate the date difference between start date and police check outcome date (all recorded on DHHS payroll).	• Calculate the date difference between start date and police check outcome date (from third-party report and DPC's record management system).	• Compare police check spreadsheet data against payroll data. • Calculate the date difference between start date and police check outcome date to determine if it was completed after the employees start date. • For individuals without a police check completion date, check the third-party provider system to verify.

Source: VAGO.

Figure B3
Compliance with reference checks

Report reference:

- Part 2—Figure 2E (page 32)

	DHHS	DPC	DTF
Data source	• Payroll data (for sample of new employees) • Selection reports and recruitment files	• Payroll data (for sample of new employees) • Report from DPC's third-party provider for reference checks • Selection reports and recruitment files	• Payroll data (for sample of new employees) • Selection reports and recruitment files • Advertising exemption forms
Data scope	Internal and external recruits	External recruits	External recruits (excluding graduates)
Data period	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019	1 July 2017 – 30 June 2019
Sampling method	Random sample	Random sample	Random sample
Population size	5 127	1 156	257
Sample size	109	125	129
Analysis method	• Review selection reports and attachments stored in DHHS's information systems for centrally managed recruitment processes. • For divisional recruitment, obtain electronic copies of completed reference checks for our sample.	• Review report from third-party provider on completed reference checks for sample. Verify a selection of these through observation on the third-party provider system. • Where third-party provider did not have records of reference checks for sample, complete an individual review of the recruitment file on DPC's records management system and electronic recruitment system.	• Review selection reports/advertising exemption forms of individuals from the sample. • Identify whether the correct number of reference checks were attached to the selection report/advertising exemption form (policy requires two reference checks for external candidates).

Source: VAGO.

Auditor-General's reports tabled during 2019–20

Report title	Date tabled
Managing Registered Sex Offenders (2019–20:1)	August 2019
Enrolment Processes at Technical and Further Education Institutes (2019–20:2)	September 2019
Cenitex: Meeting Customer Needs for ICT Shared Services (2019–20:3)	October 2019
Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2018–19 (2019–20:4)	November 2019
Council Libraries (2019–20:5)	November 2019
Market-led Proposals (2019–20:6)	November 2019
Results of 2018–19 Audits: Local Government (2019–20:7)	November 2019
Sexual Harassment in the Victorian Public Service (2019–20:8)	November 2019
Follow up of Access to Public Dental Services in Victoria (2019–20:9)	November 2019
Follow up of Regulating Gambling and Liquor (2019–20:10)	November 2019
Managing Development Contributions (2019–20:11)	March 2020
Freight Outcomes from Regional Rail Upgrades (2019–20:12)	March 2020
Ravenhall Prison: Rehabilitating and Reintegrating Prisoners (2019–20:13)	March 2020
Personnel Security: Due Diligence Over Public Sector Employees (2019–20:14)	May 2020

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