



Governance and Fraud Control within Selected Adult Education Agencies



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Auditor-General

Governance and Fraud Control within Selected Adult Education Agencies

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The Hon. Robert Smith MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Jenny Lindell MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on *Governance and Fraud Control within Selected Adult Education Agencies*.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Peter Frost', with a long horizontal stroke extending to the right.

DR PETER FROST
Acting Auditor-General

3 June 2009

Foreword

For an organisation to safeguard against fraud it needs to take a number of steps. First it needs a fraud strategy based on its business operations and risk profile. Then, it needs policies and procedures to guide the activities of staff and establish management controls. Thirdly, and perhaps most importantly, the organisation needs sound governance. Without good governance the impact of the first two steps is significantly impaired.

This audit started as an assessment of the first two steps outlined above. However concerns around the adequacy of the governance in two of the agencies led to the scope of the audit being expanded to include agency and sector oversight arrangements.

Good governance promotes accountability and transparency, fundamental to which is adequate and accurate recordkeeping. The level and quality of recordkeeping in two of the organisations examined, particularly around significant decisions, is concerning.

Also of concern is the gap in sector oversight. There are many public entities providing services on behalf of government however it is not clear that the governance oversight of these agencies, and their compliance with *Public Administration Act 2004*, is adequately monitored.

While the independence of boards needs to be recognised, there needs to be sufficient accountability and transparency to prevent situations, such as those identified in case studies in this audit, from being repeated. As this audit clearly demonstrates, agencies developing governance policies and procedures is only part of the solution—they need also to be applied consistently and appropriately.



DR PETER FROST
Acting Auditor-General

3 June 2009

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1 Audit summary

1.1 Introduction

Robust governance is necessary to manage fraud risk, and therefore effective fraud control. Fraud management and governance are therefore inextricably linked.

The *Public Administration Act 2004* (PAA), at Part 5, Division 2, sets out governance principles for public entities. However, some agencies, including the Centre for Adult Education (CAE) and the Adult Multicultural Education Services (AMES) are excluded from this section of the Act, as they existed prior to the legislation coming into force. These agencies are bound by the Public Service Standards Commissioner's Directors' Code of Conduct, which came into force in July 2006.

The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* require boards to establish robust financial governance arrangements.

There is also ample guidance material on governance available from the State Services Authority, the Ombudsman and central agencies.

It is estimated that fraud costs the Australian economy more than \$6 billion a year, and that Australian organisations may experience a higher rate of fraud than the global average.

An agency's governing body is ultimately responsible for fraud risk management, and is a critical part of any agency's internal control environment. In addition to directing the policy framework, board members should model high standards of ethical behaviour for all staff. The actions and behaviour of the board sets the 'tone at the top', which can significantly influence employees.

While boards and Chief Executive Officers (CEOs) are primarily responsible for fraud management, all staff play a role in preventing and reporting fraud.

The audit examined whether the systems, policies and procedures in the following agencies are sufficiently robust to defer fraud:

- Adult Multicultural Education Service (AMES)
- Centre for Adult Education (CAE)
- Driver Education Centre of Australia Limited (DECA)
- William Angliss Institute of TAFE (WAI).

These organisations are public entities under the *Public Administration Act 2004*. Public entities are bodies established to exercise a public function on behalf of the state, or are wholly owned by the state.

Objectives

During the audit, instances of boards and management not complying with agency policies and procedures were encountered. Consequently, while the audit was originally examining whether agencies' systems, policies and procedures were robust and deterred fraud, it was broadened to include agencies' governance arrangements.

1.2 Overall conclusion

Agency governance

Effective fraud management depends on agencies developing sound governance and financial management arrangements.

The audit found that governance in some agencies was inadequate, and the actions of some CEOs and board members resulted in unnecessary costs, foregone revenue and public assets being put at risk. A pattern emerged in these agencies, of implementing short-term solutions rather than consolidating the agency's long-term interests, and failing to comply with agency and state government policy.

Good governance promotes accountability and transparency, both of which are fundamental to fraud control. Despite changes to their membership, organisations' boards operate in perpetuity. As accurate recordkeeping is essential for good governance, significant decisions, including the rationale, should be adequately documented. The recordkeeping associated with significant decisions was inadequate in AMES and CAE.

Fraud management

Agencies have not adopted a strategic, systematic approach to the management of fraud, based on agency-specific risk assessments. Instead, they are relying on business operating procedures that include management controls to assist in preventing and detecting fraud and other inappropriate behaviour.

Although they have well developed procedures to report, investigate and respond to the suspicion of fraud, in the absence of a strategic and systematic approach to fraud detection and management, agencies cannot be assured that fraud risks have been adequately mitigated.

Each of the agencies reviewed had recognised the importance of organisational culture to fraud control.

Sector oversight

The arrangements for overseeing adult education agencies were established when agencies were relatively modest businesses that represented a low risk for the state. The arrangements are still in operation today, and are no longer appropriate for the scale and complexity of current agencies' business.

While service delivery is monitored through various performance agreements, there is inadequate monitoring of board operations.

1.3 Findings

Agency governance

The governance processes and oversight of the audited agencies' operations was largely sound. However, governance standards in two agencies have been poor.

The audit identified examples of board decisions that have been detrimental to their agencies. These decisions were preceded by the board failing to comply with relevant legislation and policy. The rationale and documentation for most of these decisions is absent or inadequate.

Audit committees in two agencies have not been effective in identifying and managing issues with governance, fraud control, inappropriate behaviour and non-compliance with agency policies and procedures.

While agencies planned for fraud awareness training it was often not delivered.

Agencies did not effectively promote a culture of fraud awareness.

Fraud management

Although the agencies examined established processes for investigating and reporting suspected frauds and other inappropriate behaviour, they:

- have not identified fraud risks specific to their business or assessed the extent to which internal controls and procedures mitigate these risks
- have not developed appropriate fraud management plans
- were not adequately monitoring staff compliance with their policies and procedures
- were not consistently complying with the reporting requirements in the *Financial Management Act 1994*.

Sector oversight

The adult education sector is overseen by two bodies, Skills Victoria and the Adult, Community and Further Education Board (ACFE).

ACFE and Skills Victoria, through performance agreements, grant funding to agencies to provide adult education services. While ACFE and Skills Victoria receive reports on service provision as part of the performance agreement, they do not review the governance arrangements and operation of the boards in these agencies, and were not established for this purpose.

The adult education sector has experienced considerable change over time, and service providers are able to derive significant income from business opportunities, such as revenue from international and other students, and tendered services such as AMES' provision of settlement services.

As the adult education sector has grown and changed and many adult education institutions have become substantial businesses, they represent a greater risk for the state.

1.4 Recommendations

Governance

AMES and CAE be bound by all of the requirements of the *Public Administration Act 2004* (**Recommendation 4.1**).

Board members should be inducted to the requirements of, and comply with, relevant legislation and agency policies and procedures (**Recommendation 4.2**).

Agency boards should establish sufficient mechanisms so they are aware of material transactions and events, and can effectively monitor and assess the performance of the CEO (**Recommendation 4.3**).

Agencies should review the operations of their audit committees (**Recommendation 4.4**).

The State Services Authority should review the governance and accountability arrangements of adult education agencies (**Recommendation 4.5**).

Fraud prevention and detection

The Department of Treasury and Finance's risk framework should specifically require agencies to identify and address fraud risks (**Recommendation 5.1**).

Agencies should benchmark their management of fraud against the Australian Standard AS 8001:2008 (**Recommendation 5.2**).

Agencies should:

- develop and regularly review fraud management plans that address agency-specific risks, and include adequate prevention and detection processes
- capture data and report the incidence of fraud
- periodically evaluate the effectiveness of their fraud management strategy (**Recommendation 5.3**).

Operating systems

Agencies should regularly review and update their operating policies and procedures and monitor staff compliance (**Recommendation 6.1**).

Audit committees should periodically review governance and fraud prevention activities (**Recommendation 6.2**).

2 Audit Act 1994 section 16 – submissions and comments

2.1 Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report, or relevant extracts from the report, was provided to the following departments and agencies with a request for comments or submissions:

- the Departments of Innovation, Industry and Regional Development; Planning and Community Development; and Treasury and Finance
- the State Services Authority
- the Adult, Community and Further Education Board
- the Adult Multicultural Education Services
- the Centre for Adult Education
- the William Angliss Institute of TAFE
- DECA Pty Ltd.

The comments and submissions provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of comments rests solely with the agency head.

2.2 Submissions and comments received

RESPONSE provided by Secretary, Department of Planning and Community Development

The Department has considered the report in detail and is supportive of all the recommendations made concerning governance, fraud prevention and detection, and operating systems contained in the report.

The following specific comments are made on the recommendations:

Recommendation 4.1: *To extend the application of Division 2, part 5 of the Public Administration Act 2004 to CAE and AMES will provide greater clarity to the agencies on the standards binding the behaviour of Boards in the Victorian public sector.*

Recommendations 4.2, 4.3 and 4.4: *These recommendations concern matters of internal process which should, in the first instance, be addressed by the agencies concerned. The Department will support the implementation of these recommendations by the CAE and AMES.*

RESPONSE provided by Secretary, Department of Planning and Community Development – continued

Recommendation 4.5: *The Department is committed to supporting the governance of all public entities with which it has a formal relationship and will support and co-operate with activities or processes put in place under this recommendation.*

Recommendation 5.1: *The effective integration of fraud risk assessment into a broader risk assessment framework will strengthen the policy and systems responses of agencies to fraud risk and its management.*

Recommendations 5.2, 5.3, 6.1 and 6.3: *The Department will support the implementation of these recommendations by the CAE and AMES as a means to significantly strengthen and codify their approaches to the management of fraud, the compliance of staff with policies and procedures and strategies for review.*

I am advised that the CAE and AMES are preparing detailed comment on the report that will propose their approaches to addressing the issues raised and recommendations made. The detailed information in the report on strategies that can be employed to achieve standards of governance, fraud prevention and detection required of the agencies offers significant guidance in this work.

RESPONSE provided by Secretary, Department of Treasury and Finance

Recommendation 5.1: *Pertaining to the Department of Treasury and Finance
The audit recommendation is noted.*

The Victorian Government Risk Management Framework was developed to support best practice in public sector risk management. It provides for the implementation of a minimum risk management standard across public sector agencies, as well as an attestation by accountable officers in annual reports that appropriate risk management processes are adequately built into annual corporate planning and reporting. As the Framework requires the comprehensive evaluation of all potential risks unique to an agency's individual risk profile, it is expected that fraud risk is given due consideration as a component of this assessment, and that appropriate strategies are established for its management and mitigation, consistent with the assessed level of risk.

Furthermore, as part of the available supplementary material that supports the Standing Directions of the Minister for Finance, DTF already has specific guidance material that assists agencies in developing and maintaining an appropriate fraud control framework. This material addresses many of the issues raised by audit in its report, such as the development of an appropriate fraud management plan, and the undertaking of fraud risk assessment and monitoring across areas of the organisation on a periodic basis. DTF will continue to remind agencies of the importance of utilising this material in proactively mitigating fraud risks.

RESPONSE provided by the Chief Executive Officer, State Services Authority

I note the draft report recommends that the State Services Authority (SSA) undertake a review of adult education sector agencies. I am supportive of this recommendation. Under section 50 of the Public Administration Act 2004 (PAA), the Premier, a portfolio Minister or public service body head may request the SSA to undertake such a review or the review could be undertaken in line with the Authority's role under section 70 of the PAA to advise the Premier on governance structures and arrangements for public entities and conduct reviews on classes of public entities.

RESPONSE provided by General Manager, Adult, Community and Further Education Board

We understand that the CAE and AMES will comment in detail on the report and outline their approaches to addressing the issues raised and recommendations made. The ACFE Board notes the self-improvement strategies undertaken by the current Boards of these agencies since the documented incidents occurred.

Both organisations have made strenuous efforts to address the problems of the type identified in the report and to ensure the systems, policies and governance expectations around fraud risk and its management are robust and effective. The ACFE Board has considered and is supportive of all the recommendations contained in the report. They provide a strong basis for all adult education agencies, including CAE and AMES, to continue to improve both governance and fraud control.

Recommendation 4.1: *The CAE and AMES are not bound by Division 2, Part 5 of the Public Administration Act 2004 because the legislation creating the Adult Education Institutions predated this Act. To align the statutory requirements of the CAE and AMES with those generally prevailing in the public sector will provide greater clarity to the agencies on the standards required of Boards in the Victorian public sector.*

Recommendation 4.2, 4.3 and 4.4: *These recommendations propose that the agencies pay additional attention to a range of internal arrangements, systems and processes. The Board is of the view that, with appropriate support, they can be most effectively addressed by the agencies concerned themselves. The ACFE Board will support the implementation of these recommendations by the CAE and AMES.*

Recommendation 4.5: *The Board wishes to record its willingness to co-operate with such a review of governance arrangements.*

Recommendation 5.1: *Enhancing the risk assessment framework which is applicable across all public sector agencies is strongly supported by the Board. It will support agencies to implement more effective fraud risk assessment and fraud management.*

RESPONSE provided by General Manager, Adult, Community and Further Education Board – continued

Recommendations 5.2, 5.3, 6.1 and 6.3: As indicated in the general comment above, the Board is aware that the CAE and AMES have moved over a period of time to address the issues raised in the report. To the extent that it has a role, the ACFE Board will assist the agencies to develop and implement the stronger governance and operational systems proposed in these recommendations.

RESPONSE provided by Chair, Adult Multicultural Education Services Board

The AMES Board welcomes the Auditor-General's report and accepts the recommendations.

During the period 2004–2006 in which inconsistent practices are highlighted in the Auditor-General's report, AMES faced significant challenges including the departure of two CEOs alongside a significant level of instability in its senior management team.

The Board was required to step in to ensure the ongoing high standard of delivery of services that AMES has provided to multicultural communities for 57 years. It is clear that documentation of its decisions did not keep pace with the Board's actions during that period and the Board's decisions may not have been fully informed of the requirements of the relevant public sector legislation.

However, the current Board is confident that measures that it has taken since 2007 are enhancing AMES' overall governance. These measures include -

- Adoption by the Board of the Public Sector Standards Commissioner's Code of Conduct.
- Restructuring and refocussing the Board, in part by recruiting additional members to the Board and the Finance, Audit and Risk Management (FARM) Committee with skills in finance, risk management, public sector governance and stakeholder relations. Also briefings have been arranged on the requirements of the Public Administration Act 2004, other relevant Acts, Guidelines, Standards and policies applicable to the governance of AMES. Outcomes have included enhanced budgeting and financial reporting aligned to strategic objectives as well as a more informed Board.
- Adoption of new Fraud and Corruption Control policies and procedures, benchmarked against the Australian Standard.
- A comprehensive internal audit of the AMES Human Resources function and the appointment of a new General Manager skilled in these functions.
- Commenced a process benchmarking its governance principles against those contained in the Public Administration Act 2004 and other relevant Guidelines, Standards and policies applicable to the administration of AMES.
- Review of the current process by which it self-assesses its performance on an annual basis, including assessment of the Chair's performance.

RESPONSE provided by Chair, Adult Multicultural Education Services Board – continued

- *Adoption of a revised Risk Management Plan, which includes strengthened fraud related risks. Strengthened Internal Audit procedures focussed on risk identification and amelioration that form the basis of the Internal Audit Program to provide added assurance on the management controls and mitigating procedures of the organisation.*
- *A professional development program for staff identified as potential leaders in AMES which includes training in managing in a statutory environment and the principles of good governance.*
- *An enhanced Quality Management System, to disseminate key organisation policies and procedures. Procedures have also been established to ensure their currency.*
- *Adopting a rolling three year Strategic Plan focussed on five objectives – Clients, Owners (State Government), Funders, Staff and other Stakeholders - with an emphasis on integrated service delivery to meet the needs and aspirations of our culturally and linguistically diverse clients.*
- *Recruiting new General Managers in key strategic and operational areas, aligned to the Strategic Plan and stronger corporate governance.*
- *Stabilising the organisation and rebuilding relationships with stakeholders.*
- *Establishing four Board Advisory Committees to oversee specific areas of AMES' operations – Stakeholder Management, Internal Capacity Building, Enterprising Communities and Policy and Research.*

The Board is confident that these and other measures already in place, via implementation of the strategic plan, will ensure that AMES is effectively and successfully complying with the highest standards of probity, accountability and governance as recommended by the Victorian Auditor-General's Office.

RESPONSE provided by the Chief Executive Officer, Centre for Adult Education

The Centre for Adult Education (CAE) acknowledges the findings and recommendations of the 'Governance and fraud control in selected adult education agencies' report of 24 April 2009.

CAE is appreciative of the opportunity to respond to the report firstly to the issues raised throughout the report and then to the recommendations as they relate to CAE.

RESPONSE provided by the Chief Executive Officer, Centre for Adult Education – continued

The stated purpose of the audit initially was to ‘examine whether the systems, policies and procedures were sufficiently robust to deter fraud’. During the audit the scope was broadened to ‘include agencies’ governance arrangements’ (p 2). Much of the evidence cited to support the findings specifically pertaining to CAE is historical in so far as it relates to decisions made some years ago when both the sector and organisation expectations were more about the delivery of learning experience and service to students and government than ‘returning a profit’ as a commercial entity.

Since the early 2000’s there has been a stronger focus on the governance and administration of all government owned registered training organisations, including CAE as an ‘Adult Education Institute’, detailed in both the Public Administration Act 2004 and the Education and Training Reform Act 2006.

The adult education sector is increasingly complex, diverse, competitive and commercial. Organisational decisions made in the first part of the decade were informed by different considerations and a different context to decisions of today. The report cites two case studies concerning CAE lease arrangements that ‘illustrate decisions that adversely affected CAE’. (p25) Since the audit the lease for the Cafe has been renegotiated on commercial terms and the retail lease is currently under review.

The current Board of CAE is acutely aware of their obligations and will exercise strong oversight of the organisation. CAE seeks to continuously improve its governance, compliance and operations and has action prior to and throughout the audit period, and will continue to develop and implement robust governance measures in the future.

Governance

The report states that the Board of CAE ‘have made decisions that have resulted in the loss of public money through foregone revenue.’ (p21) It further states that these decisions were poorly documented. CAE agrees that the latter is the case and it is taking steps to ensure document controls are strengthened as part of its quality management system including a full audit of archives. Management of the system will be provided through the long established ‘Continuous Improvement Unit’ of CAE.

The report states that the Audit Committee has ‘not been effective in identifying and managing issues with governance, fraud control, inappropriate behaviour and non compliance with agency policies and procedures’ and that fraud training ‘was not adequate’. (p21)

RESPONSE provided by the Chief Executive Officer, Centre for Adult Education – continued

CAE would like to emphasise that no fraud has been identified as a result of this audit. CAE does have policies and procedure to control fraud. All CAE polices are presently being reviewed and updated and are scheduled for Board approval as part of the existing improvement framework of CAE. Training for staff and Board members in fraud awareness and accountability is scheduled for key staff, managers, executives and Board Members.

Recommendation 4.1: CAE be bound by all the requirements of the Public Administration Act 2004.

Agreed

The audit report points out that CAE is 'specifically excluded' from sections of the Act regarding governance structure including the principles and values that guide the conduct of the public sector even though CAE is named as a public entity under the Act.

Notwithstanding this 'exclusion', in 2008 CAE Board, management and staff examined its mission and values as part of setting a new strategy for the organisation. A revised set of values was endorsed in November 2008 that clearly aligns to the Victorian Public Entity Directors' Code of Conduct 2006, the Code of Conduct for Victorian Public Sector Employees 2007 and Public Sector Values.

Further to this a new CAE Code of Behaviour Policy has now been developed underpinned by the Code of Conduct for Victorian Public Sector Employees. CAE Board Members, employees and contractors will be required to acknowledge and comply with the Codes. These Codes will be included in the CAE online induction program presently being developed.

Recommendation 4.2: Board members should be inducted to the requirements of, and comply with, relevant legislation and agency policies and procedures.

Agreed

CAE Board has reviewed its powers and delegations in light of a new organisational strategy and structure. A reporting schedule is in place for 2009 inclusive of review and endorsement of all CAE polices. A Board induction program and an induction manual are under development for implementation throughout 2009 for all current and new Board Members.

RESPONSE provided by the Chief Executive Officer, Centre for Adult Education – continued

Recommendation 4.3: Agency Boards should establish sufficient mechanisms so they are aware of material transactions and events, and can effectively monitor and assess the performance of the CEO.

The CAE instrument of delegations details those powers, duties and responsibilities that it reserves for itself, and those powers, duties and responsibilities that are assigned to Board Committees and the CEO. All Board Committees have a revised Terms of Reference. Delegations by the CEO to CAE staff are detailed, inclusive of financial delegations. A number of checks are conducted through the finance system to ensure all financial decisions operate according to assigned powers and delegations.

'Financial Controls' audit is scheduled as part of the current program; this will confirm compliance with financial delegations.

CAE has commenced a 'Managing for Performance' process for all staff in 2009 including the CEO. Within this process is a review of responsibilities and accountabilities.

Recommendation 4.4: Agencies should review operations of their audit committees.

Agreed

As outlined above all Board Committee Terms of Reference have been revised in line with the new CAE Board Powers and Delegations Register. The Terms of Reference for the Audit and Risk committee have included an annual review cycle and are subject to Internal Audit in 2009.

Recommendation 4.5: The State Services Authority should review the governance and accountability arrangements of adult education agencies.

Agreed

CAE will cooperate fully with any SSA review.

Fraud management

Recommendation 5.1: The Department of Treasury and Finance's risk framework should specifically require agencies to identify and address fraud risks.

Agreed

CAE is working towards the identification, assessment and management of fraud risk. The operating effectiveness of key controls will be tested by internal audit in 2009.

RESPONSE provided by the Chief Executive Officer, Centre for Adult Education – continued

Recommendation 5.2: Agencies should benchmark their management of fraud against the Australian Standard AS 8001:2008

Agreed

CAE will use the Australian Standard AS 8001:2008 as guide to the management of Fraud.

Recommendation 5.3: Agencies should:

- develop and regularly review fraud management plans that address agency-specific risks, and include adequate prevention and detection processes
- capture data and report the incidence of fraud
- periodically evaluate the effectiveness of their fraud management strategy.

Agreed

CAE will comply fully and has commenced a comprehensive fraud management program. Effectiveness reviews will be part of the CAE internal audit.

Operating systems

Recommendation 6.1: Agencies should regularly review and update their operating policies and procedures and monitor staff compliance.

Agreed

At a systemic organisational level the CAE Continuous Improvement Unit is underpinned by a Quality Management System that will drive, prioritise and monitor the rigorous and regular review and updating of policies and procedures. At the level of each individual staff member the “Managing for Performance” program will ensure clarity of responsibilities and accountability for staff and regular monitoring of compliance in line with CAE policies and procedures.

Recommendation 6.2: Audit committees should periodically review governance and fraud prevention activities

Agreed

CAE Governance Framework is under review and development and will be tested as part of the CAE current internal audit plan.

RESPONSE provided by Chief Executive Officer, William Angliss Institute of TAFE

William Angliss Institute has been pleased to participate in the governance and fraud control in selected adult education agencies audit.

William Angliss Institute prides itself on endeavouring to maintain high standards of governance and fraud control in the oversight and running of the Institute's activities. The Institute accepts that there are several areas in the report which highlight these standards.

The Board is particularly conscious of its responsibilities in the stewardship of public assets and public monies. Its governance practice incorporates inter alia, the following:-

- *to interview, verify references and fulfil needed skills' matrix for recommendation and appointment to the Board;*
- *to ensure Board members are trained in standards of Director's responsibilities and other strategic responsibilities, particularly more recently in risk management;*
- *to require meeting announcement of conflict of interest and annual sign off on code of conduct.*

The Board recognises the comments of the audit in relation to a strategic fraud plan. Much that would otherwise be covered in such a plan is currently part of our internal audit systems conducted by our Audit Committee. The Institute has in place a number of fraud control measures, including a Fraud & Corruption Control Management Plan, but recognises and accepts the recommendation to benchmark this approach against acceptable government standards.

Overall the Institute agrees with the principles of the report.

Accordingly, we will continue to refine our programs in accordance with the principles and findings of the audit.

As regards operational issues we have already begun to adjust a number of operational practices in light of the report.

In addition to the written report the process has enabled useful dialogue with the Victorian Auditor-General's Office staff regarding opportunities for improvement. This dialogue has been of value and will help to further shape our broader assurance program and specific activities around fraud control.



3 Background

3.1 Legislative and policy framework

The four agencies examined as part of this audit are subject to a broad range of legislative and policy requirements directly affecting the management of their fraud risks. These include:

- *Public Administration Act 2004*
- *Financial Management Act 1994* and the Standing Directions of the Minister for Finance
- *Whistleblower Protection Act 2001*
- *Information Privacy Act 2000*
- *Audit Act 1994*
- *Freedom of Information Act 1982*
- *Crimes Act 1958*
- procurement policies developed through the Victorian Government Purchasing Board and Department of Treasury and Finance (DTF)
- Ministerial Orders relevant to the operation of boards in the education sector
- State Services Authority 'Good Practice Guide on Governance for Victorian Public Sector Entities' and Ombudsman Victoria's guide to complaint handling for Victorian Public Sector Agencies 2007
- Public Sector Standards Commissioner's Directors' Code of Conduct and Guidance Notes.

Education and training in Victoria is governed by the *Education and Training Reform Act 2006* (the Act), which replaced the *Adult, Community and Further Education Act 1991* and came into effect on 1 July 2007.

The Minister for Skills and Workforce Participation has established Orders under the Act in relation to agencies providing educational services. These Orders cover the operation of agencies' boards and board committees, the role of the chief executive officer, financial management and audit.

Oversight and funding arrangements

The Adult, Community and Further Education Board (ACFE) is a statutory authority with responsibility for overseeing the operations of the adult, community education sector that includes the Adult Multicultural Education Service (AMES) and the Centre for Adult Education (CAE). It has a secretariat based in the Department of Planning and Community Development.

Skills Victoria, a division within the Department of Industry, Innovation and Regional Development, has responsibility for overseeing the operations of all Victorian TAFE institutions including Driver Education Centre of Australia (DECA) and the William Angliss Institute of TAFE (WAI).

The oversight and funding arrangements between ACFE and adult education institutions such as AMES and CAE are outlined in performance agreements. Similar agreements are in place between Skills Victoria and DECA and WAI.

The oversight and monitoring functions of Skills Victoria and ACFE is primarily focused on adult education providers' service delivery.

3.2 Public sector governance frameworks

The *Public Administration Act 2004* provides minimum standards for governance across the public sector. It contains principles and values to guide the conduct of public sector employees.

Effective fraud management is essential for good corporate governance. In turn, sound governance and financial management arrangements are integral to effective fraud management.

Directors on the boards of a public entity are 'public officials' under the *Public Administration Act 2004* and are bound by the public sector values established by the Act. These values are responsiveness, integrity, impartiality, accountability, respect, leadership and human rights.

Guidance material to assist agencies to establish effective governance is available from the State Services Authority, the Ombudsman and central agencies. It includes material on board attendance, the conduct of board meetings, the role of the chair, documenting board discussions and decisions, and board reporting.

Under the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, agency boards are responsible for the oversight of an agency's financial management, and the development of robust and transparent financial governance policies and procedures.

The Department of Treasury's 'Risk Management Framework' provides a minimum risk management standard across public sector entities. Under this framework, risk management must be built into an agency's annual business planning and reporting processes.

Fraud risk is inherent in agencies' service delivery environments. While it is impossible to operate in an environment devoid of fraud risk, factors contributing to its occurrence need to be identified and strategies developed to minimise the likelihood of it occurring.

Government agencies will face different fraud control issues due to their size and exposure to the risk of fraud. As a result, the fraud management frameworks established by agencies need to be tailored to their needs.

The Commonwealth Government released a Better Practice Guide *Fraud Control in Australian Government Agencies* that provides a framework for fraud control within government agencies. While it targets the Australian Public Service, the principles and practices are similarly relevant to the Victorian Public Service and the various entities established within it.

3.3 Fraud

The Australian Standard for fraud and corruption control defines fraud as:

Dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction of use of falsified documentation used or intended for use for a normal business purpose or the improper use of documentation or position for personal financial benefit.

The following crimes would fall within the definition of fraud:

- theft
- false accounting or representation
- bribery and corruption
- deception
- collusion.

Fraud is a significant problem and has been estimated by the Australian Institute of Criminology (AIC) to cost the Australian economy around \$6 billion per year. This figure includes reported and estimated fraud and associated costs.

Research indicates that the incidence of fraud in Australia is increasing, with 63 per cent of Australian agencies having experienced economic crime over a two year period. The research also indicates that Australian agencies may suffer a higher rate of fraud than the global average.

Adequate fraud management requires appropriate policies, strategies and procedures to identify, manage and deter fraud.

3.4 Responsibility for fraud management

The governing body, the board, has ultimate responsibility for the development and implementation of fraud management arrangements and should endorse the agency's fraud policies, risk assessments and fraud strategies.

Besides driving the policy framework, members of the governing body should also demonstrate high standards of ethical behaviour for all staff to follow. Compliance with agency policies and procedures, disclosing potential conflicts of interest and exercising responsibilities impartially, are required to establish the right 'tone at the top'.

While boards and heads of government agencies have ultimate responsibility for fraud management, all staff have a role to play in fraud prevention and reporting.

3.5 About the agencies reviewed

The adult education sector is divided between the adult, community education sector and the vocational education and training sector.

The audit examined fraud management in the following four adult education providers:

- Adult Multicultural Education Service (AMES)
- Centre for Adult Education (CAE)
- Driver Education Centre of Australia Limited (DECA)
- William Angliss Institute of TAFE (WAI).

These organisations are public entities under the *Public Administration Act 2004*. Public entities are bodies established to exercise a public function on behalf of the state, or are wholly owned by the state.

3.5.1 Adult Multicultural Education Service

AMES was established in 1991. It provides adult education, training and employment programs to around 40,000 people every year and is the largest provider of English language and refugee settlement services in Victoria.

AMES receives grant funding from the ACFE Board of approximately \$1.1 million per annum. It receives most of its funding for the provision of migrant education, employment and refugee settlement services from the Commonwealth Government, and from the provision of English language services.

AMES has annual expenditure of around \$90 million, an asset base of \$48 million, and 2 600 ongoing and volunteer staff.

3.5.2 Centre for Adult Education

CAE was established in 1947 as the Council of Adult Education with a broad charter to provide adult education.

On 1 March 2001, an amendment to the *Adult, Community and Further Education (AFCE) Act 1991* meant the Council of Adult Education effectively came under the ACFE Act. At this time, the name of the organisation was changed to the Centre for Adult Education.

CAE provides learning to the community through a wide range of programs and services with a strong focus on arts, languages and adult secondary education. Other courses include business, computers, human services, languages, wellbeing, fitness and literacy.

CAE has annual expenditure of around \$23 million and an asset base of \$16 million. It receives government funding from ACFE.

3.5.3 Driver Education Centre of Australia Limited

In 1979 DECA was incorporated as a not for profit company limited by guarantee. It was originally known as the Goulburn Valley Driver Training Complex Limited before it changed its name in 1993.

During the 1980s the Victorian Government took over responsibility and funding of the company making it a full TAFE provider and subject to the operating procedures, systems and requirements of a TAFE institute.

DECA provides driver education and training services to the community, consultancy services to industry and school based traffic education.

DECA has annual expenditure of around \$12 million and an asset base of \$18 million.

3.5.4 William Angliss Institute of TAFE

WAI is a dedicated training provider for the hospitality, tourism and foods industries, delivering a range of courses from four-year degrees to short courses. It has around 400 academic and support staff providing training to 15 000 students. It generates around \$45 million in revenue each year and manages approximately \$90 million in assets, primarily land and buildings.

The Institute was established by an Order in Council under the *Victorian Education and Training Act 1990*, which was incorporated into the *Education and Training Reform Act 2006*.

3.6 Audit objectives and scope

The objective of the audit was to assess whether the systems, policies and procedures of the selected agencies are robust and deter fraud.

The audit assessed whether:

- the operating systems and procedures were capable of preventing and detecting fraud and minimising the impact of fraud on the agency
- agency fraud policies and procedures were robust.

The audit included discussions with the Department of Treasury and Finance, ACFE and Skills Victoria on governance and fraud reporting and management by the above agencies.

During the audit, VAGO encountered instances of boards and management not complying with agency policies and procedures. Consequently, the audit was broadened to include the governance arrangements operating in each of the four agencies reviewed.

The audit was not, however, an investigation to determine whether fraud has occurred during the period of operations, in the agencies examined. The lack of supporting documentation, and in some cases, poor quality of evidence around some significant decisions taken by boards, means that audit cannot definitively conclude that fraud has or has not occurred.

The audit was performed in accordance with the Australian auditing standards applicable to performance audits, and included tests and procedures sufficient to enable audit conclusions to be reached.

3.7 Report structure

This report is structured as follows:

- governance arrangements
- fraud prevention and detection
- operational policies, procedures and internal controls

The total cost of the audit was \$450 000. This cost includes staff time, overheads, expert advice and printing.

4

Governance arrangements

At a glance

Background

Good governance assists agencies to reduce the risk and impact of fraud. It includes the processes by which organisations are directed, controlled and held to account. It also refers to the authority, stewardship and leadership exercised in an organisation.

Findings

- Three of the four agencies do not provide governance training to board members.
- Agency governance processes were largely sound at the Driver Education Centre of Australia Ltd (DECA) and William Angliss Institute of TAFE (WAI), however, shortcomings were noted at the Adult Multicultural Education Services (AMES) and the Centre for Adult Education (CAE).
- The boards of AMES and CAE have made decisions that have resulted in the loss of public money—either through foregone revenue or termination payments. These decisions were poorly documented and supported, and were often preceded by board non-compliance with legislation or agency policy.
- Audit committees at AMES and CAE have not been effective in identifying and managing issues with governance, fraud control, inappropriate behaviour and non-compliance with agency policies and procedures.
- Fraud training provided within the agencies was not adequate.
- Agencies did not effectively develop an appropriate ethical and fraud awareness culture.
- While the Adult, Community and Further Education Board (ACFE) and Skills Victoria oversee the sector, their mandate does not extend explicitly to governance and the operations of the boards.

At a glance – continued

Recommendations

- AMES and CAE be bound by the requirements of the *Public Administration Act 2004* (**Recommendation 4.1**).
- Board members should be inducted to the requirements of, and comply with, relevant legislation and agency policies and procedures (**Recommendation 4.2**).
- Agency boards should establish sufficient mechanisms so they are aware of material transactions and events, and can effectively monitor and assess the performance of the Chief Executive Officer (CEO) (**Recommendation 4.3**).
- Agencies should review the operations of their audit committees (**Recommendation 4.4**).
- The State Services Authority should review the governance and accountability arrangements of adult education agencies (**Recommendation 4.5**).

4.1 Good governance

The State Services Authority *Good Practice Guide* for Victorian public sector entities describes governance as:

'processes by which organisations are directed, controlled and held to account. That is, the processes whereby decisions important to the future of an organisation are taken, communicated, monitored and assessed. It refers to the authority, accountability, stewardship, leadership, direction and control exercised in the organisation.'

Good governance reduces risks and the likelihood of fraud. It is more than just establishing the policies, procedures and controls to guide the business of an agency, it also requires appropriate application of the policies and procedures and compliance with internal controls.

Sound governance requires:

- agency boards and board committees to effectively oversee agency activities
- processes to drive staff behaviour including codes of conduct, relevant conflict of interest procedures and appropriate financial delegations
- a strong ethical culture.

4.2 Board and committee oversight

Boards and board committees provide leadership to an organisation, establish accountability mechanisms, and oversee and govern the operations of the agency.

The board is also a critical part of an agency's internal control environment. Its role includes providing assurance to stakeholders that key risks, including fraud, are managed to minimise their impact on the agency.

4.2.1 Board procedures

The board sets the 'tone at the top'. The behaviour of board members contributes to the development of an appropriate agency culture. Their actions can significantly influence the conduct of agency employees.

Boards should:

- have appropriately qualified and skilled members
- establish policies to encourage ethical behaviour, such as a code of conduct, and processes for employees and others to report instances where ethical standards are not met
- adequately support and document their decisions
- monitor the implementation and effectiveness of the agency's fraud risk management plan.

Findings

The following better practices were evident:

- the roles and responsibilities of boards and board members are clearly defined in board charters or constitutions
- establishing subcommittees to increase oversight of specific areas of interest
- selection criteria and processes to appoint appropriately qualified and skilled board members are in place
- agencies had regular board meetings with minutes approved by the boards
- directors annually sign pecuniary interest statements
- one agency has developed its own code of conduct while the other three have adopted the Public Sector Standards Commissioner's Code of Conduct.

However, the following shortcomings were identified:

- where assessment of board performance occurs, it is generally self-evaluation and it is not clear how the results contribute to continuous improvement
- documentation of board discussions and decisions are too brief and often lack appropriate detail
- one agency did not, as a matter of course, declare conflicts of interest at the commencement of board meetings.

4.2.2 Conduct of boards

While boards have established processes to guide their behaviour, a review of board decisions identified instances of boards not complying with their own policies and procedures, and making decisions that had adverse consequences.

CAE

Audit review of three property transactions disclosed:

- the agency has entered into lease agreements on non-commercial terms, depriving the agency of rental income of up to \$1.5 million over 15 years. At the time the agency was experiencing difficulties meeting its short-term financial commitments
- board minutes do not include references to the above lease arrangements indicating the board may not have been aware of them
- documentation to support the lease proposals has not been retained on files
- contracts entered into by the agency contain prejudicial terms, including:
 - no termination clauses
 - no provision for rental increases
 - extension of the lease agreement for two further terms of five-years on the same conditions, at the tenant's request.

These arrangements prevent the agency from getting out of unfavourable contracts and have effectively locked it into a 15-year lease.

The following case studies illustrate decisions that adversely affected CAE.

Case study—café

In 2001, CAE entered into a lease agreement. A café currently occupies the rented space. The gross annual rental from the property is approximately \$7 500. The initial 5-year lease agreement gives the tenant options to extend for two further 5-year terms. The lease agreement does not allow CAE to terminate the agreement or adjust the rental.

At the time it was agreed, the lease had an annual market value of approximately \$30 000. If the tenant takes up the options, extending the lease term to 15-years, CAE will have generated income of \$112 000 compared to a market return of almost \$450 000—representing a significant loss to CAE.

The CAE could not provide documentation supporting the decision to provide the tenant with these non-commercial terms. The lease was signed by the then CEO and board chair of CAE.

Case study—retail lease

In 2004, CAE entered into a 5 year lease agreement with an art supply company. The gross annual rental is \$2.

CAE provided the tenant with a 5 year \$120,000 interest free loan to fit-out the premises. This arrangement forms part of the lease agreement signed by the then board chair and CEO.

The lease was approved by the Minister for Education and Training, who was advised that the premises were to be provided rent free so that a student bookshop would be established for CAE students. The bookshop does not form part of the terms of the lease agreement and was never established.

The lease provides the tenants with options to extend for two further periods of 5 years, creating the impression that it is reviewable. However, the terms of the lease do not allow CAE to review the rent, or refuse the tenant's request to take up the two further periods of 5 years, or modify the conditions of the lease itself. Consequently, the lease should be considered as a 15 year lease.

At the time the lease was entered into, CAE indicated the annual rental value of the premises was approximately \$60 000. If the tenant chooses to extend the lease to 15 years CAE will have foregone a market return of around \$900 000 representing a significant loss to CAE.

AMES

AMES made ex gratia payments of \$651 000 in 2005, \$640 000 in 2006, \$178 000 in 2007 and \$101 000 in 2008. Ex gratia payments related to responsible officers were disclosed in the financial statements of AMES.

As the number of payments and the amounts involved were significant, audit examined 26 payments in detail, and found:

- the majority of the payments have been incorrectly classified as ex gratia payments
- four instances where compensation was paid to terminated employees, despite AMES' contracts including a non-compensation clause
- a termination payment to a manager equivalent to six months salary, despite the manager's contract having expired 5 months earlier
- absence of appropriate approval and supporting documentation for some senior staff appointments, compensation payments and two bullying investigations
- bonuses paid to employees as part of their termination payment
- assignment of agency intellectual property rights to an individual without board approval. A terminated employee was given rights to a feasibility study developed by him during his employment. The terms of the agreement between the parties indicate it is not clear who owns the rights to the feasibility study nor whether a licence has been granted. No copy of a separate licence has been identified, and while the agreement is signed by two board members, the board minutes do not reference a discussion or decision regarding the agreement.

The following case studies provide examples of decisions that are inconsistent with agency policy and the *Public Administration Act 2004*.

AMES advised that it was experiencing difficulties in 2006 and 2007, following the departure of successive CEOs, and that the board became more actively involved in the management of AMES during this period.

Case study— Termination payment outside entitlement

In August 2006, AMES' chief financial officer and three general managers took stress leave and made a number of complaints against the CEO. The board engaged an industrial relations lawyer to conduct an investigation.

The investigation found the CEO had engaged in bullying conduct and recommended a mediation or conciliation process between the CEO and the complainants.

The investigation findings were released to all staff, and the CEO threatened legal action. AMES then terminated the CEO's contract on 13 December 2006 with the CEO having served just over one year of a five-year appointment.

The AMES employment contract provides that on termination an executive officer is entitled to salary and leave entitlements. Where the termination is not for serious misconduct, the agreement allows AMES to make the following additional payments:

- Four-weeks pay in lieu of written notice where the termination results from significant failure by the CEO in fulfilling his or her duties and obligations under the contract.
- Four-months pay in lieu of written notice in other circumstances.

The \$269 000 termination payment comprised a \$223 000 compensation payment, a \$23 000 bonus, pay and leave entitlements.

The AMES employment contract reflects section 35 of the *Public Administration Act 2004* (PAA) which does not allow for compensation payments on termination. The compensation payment to the CEO represented an amount in excess of his annual remuneration package, and it is not clear how this payment complies with either AMES policy or the PAA.

There was no performance assessment on file to support the bonus payment. Documentation identifying and supporting the reasons for termination were also not on file.

Case study—documentation missing on the appointment of current CEO

On 15 December 2006, a former member of the AMES board was appointed as acting CEO for a period of 12 months. Expressions of interest for the CEO position were sought through a public advertisement on 3 October 2007.

The AMES' Appointment, Remuneration and Governance Committee (ARG), and an independent panel member, met via teleconference on 23 November 2007 to consider the eighteen applications that were received. Meeting minutes indicate that the Committee discussed the applications and decided that no applicant (with the exception of the acting CEO) exhibited the necessary qualifications, skills and experience to merit appointment. It decided to interview only the acting CEO. These meeting minutes were confirmed at the ARG meeting 26 November 2007, attended by the acting CEO.

The interview of the CEO occurred at the ARG meeting on 6 December 2007.

The acting CEO was appointed to the position for the period 13 February 2008 to 31 December 2009. The appointment was approved by the Minister for Skills and Workforce Participation on 23 January 2008.

Information on the names, qualifications or experience of other candidates, the evaluation of each candidate against the selection criteria, and the reasons for selecting the acting CEO as the preferred candidate are not included in the ARG or board minutes. AMES has been unable to provide this information.

Case study—termination and subsequent re-appointment

In August 2006, a general manager, along with three other executive officers, took leave and raised allegations of bullying against the agency's CEO.

On 3 October 2006, following the release of the investigator's report into the allegations, the general manager tendered her resignation, effective from 20 October 2006. Her resignation was communicated to staff in an email on 15 November 2006.

On 20 November 2006, the board approved a \$51 858 targeted separation package consisting of \$8 297 in lieu of notice, \$41 486 representing two weeks pay for every year of service up to 10 years, and \$2 075 one week additional notice.

On 19 February 2007, 120 days after she had received a targeted package, the former general manager was re-employed by AMES as a Tender Project Manager.

Termination of employment

The *Public Sector Policy Manual* issued by Industrial Relations Victoria outlines the conditions and entitlements of staff receiving targeted separation packages. The termination payment complied with the formula for calculating targeted separation packages.

A targeted separation package is for an employee whose position has become redundant and there is no other suitable employment available in the Victorian public sector. AMES considered the termination to be a targeted package on the basis that her position was made redundant following a review of the organisational structure.

The payment does not meet the criteria for a targeted separation package. While the review changed the names of three divisions and the titles and reporting responsibilities of the senior executives heading these divisions, it did not propose changes to staff or position descriptions. The name changes were effected 11 months after the termination payment was made.

The decision by the board to pay the targeted termination package is not adequately supported or documented. The board subsequently obtained legal advice to *confirm* its decision to pay a redundancy.

Re-appointment

The former general manager was re-appointed four months later:

- without advertisement or a merit based selection process, with the CEO exercising the 'general exemption' provision and appointing without advertisement, as the individual was important to the ongoing operation of AMES.
- a job description was not prepared for the new position, as required by the agency's HR policies
- as a non-executive officer on a salary of \$108 000, despite the highest non-executive salary rate being \$104 000, equivalent to the salary previously held by the individual.

The re-appointment of the general manager was not adequately documented. Reports prepared by AMES' internal audit and human resources sections, following reviews of the general manager's termination and re-appointment, expressed similar concerns with the actions taken by AMES.

4.2.3 Board committees

The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* requires agencies to appoint an audit committee to oversee and advise the agency on matters of accountability and internal control affecting the operations of the agency, unless an exemption has been obtained.

The Standing Directions also require agencies to include governance and other information in their annual reports relevant to the management of fraud such as information on the board and its operation, pecuniary interests of relevant officers, ex gratia payments and related party disclosures.

Findings

All four agencies have established committees to assist the board in its oversight role. These committees included audit and assurance, performance review and remuneration committees.

Audit committees received and reviewed:

- internal and external audit reports
- results of agencies' internal reviews
- other matters dealing with breaches of procedures and controls referred to them.

None of the agencies had fraud reporting as a standing item on their audit committee meeting agendas.

The issues identified in the case studies were not considered by these agencies' audit committees. Additionally, the audit committee at AMES breached policy by renewing the internal audit provider's contract without market testing. State government and AMES policy require three quotes to be sought. Minutes of the following three board meetings do not include reference to the audit committee's decision.

4.2.4 *Public Administration Act 2004*

The *Public Administration Act 2004* (PAA) provides a framework for good governance in the Victorian public sector and in public administration generally in Victoria.

Part 5 of the PAA refers to the operations of public entities. Division 2 within Part 5 specifically refers to governance requirements. It provides detailed expectations of the behaviour of boards and directors of public entities, and contains a specific reference to there being controls in place to prevent fraudulent behaviour.

However, Division 2 of Part 5 only applies to entities established on or after the commencement of the Act—both AMES and CAE were established prior to the legislation and are therefore not bound by this Division. The Governor in Council, may, by Order published in the Gazette, include agencies whose existence pre-dates Division 2.

These agencies are bound by the Public Sector Standards Commissioner's Directors' Code of Conduct, which came into force in July 2006.

4.2.5 Conclusion

Policies and procedures are in place, in the four agencies, governing the conduct of the boards and other committees.

However, there have been shortcomings in practice by AMES and CAE boards in certain key areas. There are board decisions that have resulted in the loss of public money—either through foregone revenue or termination payments. A pattern emerged, in these agencies, of implementing short-term solutions rather than consolidating the agency's long-term interests, and failing to comply with agency and state government policy.

Records and recordkeeping are fundamental to transparency and accountability, and are essential for good governance. Boards operate in perpetuity, despite changes to their membership. It is important that significant decisions are adequately documented and the rationale supported. The recordkeeping associated with significant decisions was inadequate in AMES and CAE.

The CAE and AMES' boards decisions that do not comply with the *Public Administration Act 2004* and government purchasing guidelines, indicates that these boards are either not sufficiently aware of their public sector accountabilities, or chose not to comply with them.

The management of the leases by CAE, and senior management temporarily leaving AMES citing bullying claims, strongly indicate that at the time boards of these agencies had not established sufficient mechanisms to effectively monitor agency operations. This diminishes the accountability and transparency of decision-making within the agency.

Audit committees in AMES and CAE have not been effective in identifying and managing issues of governance and fraud control.

Recommendations

- 4.1 AMES and CAE be bound by all of the requirements of the *Public Administration Act 2004*.
- 4.2 Board members should be inducted to the requirements of, and comply with, relevant legislation and agency policies and procedures.
- 4.3 Agency boards should establish sufficient mechanisms so they are aware of material transactions and events, and can effectively monitor and assess the performance of the CEO.
- 4.4 Agencies should review the operations of their audit committees.

4.3 Employee behaviours

4.3.1 Codes of conduct

The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* require public sector agencies to develop and implement a financial code of practice on matters relating to the probity of financial management. Matters addressed in the code include conflicts of interest, tendering procurement, protection and use of agency assets, independence and integrity.

There is a mandatory code of conduct for public sector employees. Public entities can adopt this code or develop their own.

The code of conduct should outline agencies' core values and provide practical examples to guide staff in its application.

Findings

Three agencies have developed and applied codes of conduct for their staff with the fourth agency adopting the Public Sector Standards Commissioner's generic code of conduct.

Training in the application of the code of conduct has not been provided at any of the agencies.

4.3.2 Conflicts of interest

Agencies should establish policies and guidelines to assist staff identify and manage potential conflicts of interest.

Managing conflicts of interest involves the following:

- identifying, disclosing and documenting conflicts of interest in a register
- assessing potential impacts based on the nature and severity of the conflict
- establishing procedures for handling conflicts
- establishing mechanisms to investigate complaints regarding conflicts of interest.

Mechanisms for identifying and managing conflicts of interest include:

- completion of annual pecuniary interest statements by agency executives
- staff involved in contracts or significant dealings with external parties completing conflict of interest declarations
- contracts with external parties including provisions or clauses covering conflict of interest.

Findings

The audit found:

- guidance material on managing conflicts of interest is insufficient in three of the agencies
- staff in one agency did not declare their personal interests in businesses transacting directly with the agency
- conflict of interest training was not provided in any agencies
- two agencies did not have conflict of interest registers.

The poor management of conflicts of interest in AMES is demonstrated in the following case study.

Case study—failure to disclose conflicts of interest

In 2001 and 2002, a conflict of interest was raised with a manager who had been directly involved in the recruitment and engagement of both his sister and his partner.

During 2005 and 2006, the same manager was a director of a private company and had a financial interest in another private company both of which provided services to AMES. The *Public Administration Act 2004* (PAA) requires staff to obtain approval from the CEO to engage in any other paid employment, or carry on any business, profession or trade.

This manager did not disclose his interests in these businesses, despite signing declarations of personal interests.

In April 2006, when AMES became aware of the conflicts, it engaged an external organisation to investigate the matter. The report found that the manager was not truthful in his responses to some questions and there were grounds for disciplinary action against him.

In November 2006, the manager's employment with AMES was terminated and he received a compensation payment of \$50 000, equivalent to six months salary.

A board paper supporting the termination payment states that 'Senior DEWR officials have specifically mentioned (names deleted)... as people they do not want near Job Network management roles'. It also contains a statement 'a wrongful dismissal case against AMES would lead to a payment of 6 months salary and costs'.

The board paper does not include references to the breach of the code of conduct or the PAA. Legal advice references the *Workplace Relations Act 1996* but not the *Public Administration Act 2004* or the applicable Code of Conduct.

AMES' failure to manage the misconduct arising from these conflicts in a timely manner, led to a questionable compensation payment of \$50 000.

4.3.3 Promoting ethical behaviour

Elements that help establish a sound ethical culture, and promote fraud awareness are:

- a statement outlining the agency's commitment to ethical business behaviour
- pre-employment screening
- rewarding good behaviour and sanctioning bad behaviour
- ethical awareness training
- active promotion of procedures, rules and codes.

Re-enforcement of ethical behaviour through agency communications is also important. Messages can also be included in employment contracts, staff bulletin boards and on the intranet.

Findings

Agencies primarily promote ethical behaviour by providing training to new and existing staff in agency policies and procedures, such as the Code of Conduct and Whistleblower's legislation.

William Angliss Institute had developed a comprehensive employee induction handbook that included information on the agency's code of conduct, whistleblower processes and the reporting of fraud and mismanagement.

They had established a mandatory staff professional development training program that included:

- information on the Whistleblowers Act and the process for reporting concerns to an independent third party
- legislative compliance updates
- control strategies and processes for reporting suspicions of fraud or corruption, investigative activities and escalation procedure.

Pre-employment screening in agencies was adequate.

However, agencies do not use staff meetings or agency newsletters to reinforce the importance of behaving ethically.

Conclusion

Agencies are not actively establishing and promoting an ethical culture. Opportunities exist for agencies to use their communications—newsletters, regular email and staff meetings—more effectively to promote an ethical culture and fraud awareness.

4.4 Sector oversight

The audited agencies are responsible to the Minister for Skills and Workforce Participation. The *Education and Training Reform Act 2006* (the Act) gives the Minister power to:

- issue directions to the governing board
- remove from office an agency board member
- dismiss the governing board
- censure the governing board.

Skills Victoria purchases government funded training from TAFE institutions and private registered organisations, and ACFE provides funding for community-based organisations, and AMES and CAE, for education and training for people over school-leaving age. The Act enables the ACFE Board and Skills Victoria to assess the service provision of the agencies they fund.

Their roles are primarily to promote and facilitate access to adult education services, through the provision of policy and other advice to the Minister. This does not, however, extend to a regulatory function over the planning and governance arrangements in these agencies, or the operations of their boards.

ACFE and Skills Victoria are able to enter into performance agreements with the agencies they fund, to monitor the provision of services. Under the performance agreements, the agency boards are required to:

- develop strategic and operational plans so that the agency is managed in an efficient and effective manner
- prepare an annual budget
- maintain satisfactory working capital.

The four audited agencies have performance agreements in place with their respective overseeing bodies—Skills Victoria or the ACFE Board.

In addition to above requirements, the ACFE performance agreements with AMES and CAE require their boards to provide ACFE with:

- quarterly financial statements
- a strategic plan
- an annual budget
- expenditure to budget report
- student statistical reporting data.

The ACFE agreements also require AMES and CAE to:

- establish and monitor governance practices
- identify, assess and manage risks facing the agency
- foster an appropriate corporate culture.

ACFE has access to agency records to audit this information. It reviews their board minutes and undertakes probity checks on board appointments. It monitors the information provided by agencies and assesses their performance in providing agreed levels of education services.

The Departments of Planning and Community Development (DPCD) and Innovation, Industry and Regional Development (DIIRD) provide advice to the Minister for Skills and Workforce Participation on adult education.

These agencies have identified the importance of complying with the *Public Administration Act 2004* and governance within public entities and have developed initiatives in the area—DPCD through its internal audit assessment of compliance with the *Public Administration Act 2004* and DIIRD organising regular meetings with the TAFE board chairs and CEOs. However, these activities are based largely on cooperation.

New legislation enacted in 2006 did not address the issue of governance and monitoring of adult education agencies. The adult education sector has experienced considerable change over time, and service providers are able to derive significant income from business opportunities, such as revenue from international and other students, and tendered services such as AMES' provision of settlement services.

Conclusion

It is not clear that the performance agreements are sufficient to provide assurance around the governance and operations of agency boards.

Sector oversight is largely focused on the operational activities of the adult education agencies and the services they provide, rather than the governance of the organisations themselves.

The oversight arrangements were established when agencies were relatively modest businesses that presented a low risk for the state. These arrangements, which are still operating today, were appropriate for the scale and complexity of the agencies' businesses at the time.

However, the sector has grown and changed. Many adult education agencies are now substantial businesses and represent a greater risk for the state. The oversight arrangements are no longer appropriate.

Recommendation

- 4.5 The State Services Authority should review the governance and accountability arrangements of adult education agencies.
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5 Fraud prevention and detection

At a glance

Background

Sound fraud management requires a strategic and systematic approach, with both fraud prevention and detection strategies targeting agency-specific fraud risks, captured in a fraud management plan.

Findings

- Agencies have developed fraud policies and procedures, however, these are not based on agency-specific fraud risk assessments.
- Agencies have not developed appropriate fraud management plans, and are relying primarily on routine internal controls for fraud prevention and detection.
- Agencies have established comprehensive processes for investigating and reporting suspected frauds and other inappropriate behaviour.

Recommendations

- The Department of Treasury and Finance's risk framework should specifically require agencies to identify and address fraud risks (**Recommendation 5.1**).
- Agencies should benchmark their management of fraud against the Australian Standard AS 8001:2008 (**Recommendation 5.2**).
- Agencies should:
 - develop and regularly review fraud management plans that address agency-specific risks, and include adequate prevention and detection processes.
 - capture data and report the incidence of fraud
 - periodically evaluate the effectiveness of their fraud management strategy (**Recommendation 5.3**).

5.1 Background

While there are many reasons why people commit fraud, most incidents contain an opportunistic element.

Many of the policies, procedures and internal controls in agency operating systems contribute to the prevention, detection and management of fraud. Although internal controls reduce the risk of fraud occurring, residual risks usually require particular fraud prevention and detection activities.

A strategic and systematic approach to fraud management requires:

- a fraud policy statement
- fraud risk assessment
- a management plan outlining the actions to address the fraud risks identified
- mechanisms to monitor the delivery and effectiveness of the fraud plan.

5.2 Fraud policy statement

The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* require public sector agencies to establish a financial risk management policy. The policy should include:

- a definition of fraud, the agency's attitude to fraud and its commitment to investigating and prosecuting fraud
- staff responsibilities in preventing and reporting fraud
- assurance that reports will be managed in a professional and confidential manner
- the possible consequences of fraudulent behaviour, including disciplinary action, termination of employment, counselling and legal action to recover agency assets
- reference to whistleblower and complaint handling arrangements.

The policy should be endorsed by the Chief Executive Officer (CEO), distributed widely throughout the agency and regularly reviewed.

Findings

All four agencies have fraud policies that include the specified information. However, the requirement to review the policy annually is not reflected in the policies, nor was it evident in practice.

5.3 Fraud risk assessment

The Department of Treasury and Finance (DTF) has established a risk management framework for the public sector. The framework:

- requires agencies to adopt the Australian/New Zealand Risk Management Standard
- requires accountable officers to attest in annual reports that the standard has been adopted and built into agencies' annual corporate planning and reporting
- assists agencies in undertaking risk assessments and developing plans to manage identified risks.

The Standing Directions of the Minister for Finance require agencies to establish processes to:

- identify risks associated with the financial management of the agency
- assess their likelihood and potential impact under different assumptions
- proactively manage those risks.

These include fraud risks.

Agencies need to understand their vulnerability to fraud. They should, periodically, complete a fraud risk assessment, tailored to the agency's size, complexity, industry and goals. This assessment should include a review of each agency's operational procedures.

Findings

Agencies have identified business risks and assessed the likelihood and impact of the risks occurring. However, these risk assessments did not include fraud risks. Risk assessments in two of the four agencies reviewed were rudimentary.

Fraud policies and procedures in two agencies identify some fraud risks. None of the agencies however had assessed the impact of fraud risks on their business or assessed the effectiveness of their operating controls in mitigating these risks.

5.4 Fraud management plans

Standards Australia's Fraud and Corruption Control Standard AS 8001: 2008 recommends organisations develop a fraud and corruption control plan. The plan should:

- detail agency responsibility for fraud management
- outline the actions required to mitigate the material fraud risks identified in the fraud risk assessment, including staff training activities
- identify the information and performance measures needed to assess the effectiveness of the agency's management of fraud.

The implementation of actions and the overall effectiveness of the plan should be monitored and the plan updated periodically. Where possible, the plan should integrate fraud risk management into the agency's day-to-day business activities.

Findings

Agencies have not developed fraud management plans consistent with the Australian standard.

Two agencies have a plan that contains some of the elements outlined above. These plans, however, do not outline the procedures, controls and other actions established to address the material fraud risks identified by the agency.

At the time of the audit, one agency had not assigned responsibility for coordinating risk management activities to a senior manager.

Conclusion

Risk management principles have not been applied specifically to fraud control. As a result, while some management of fraud risks is occurring, it is not strategic, has not been aligned to existing risk management processes and generally has a low profile within agencies.

Fraud policies and procedures are not regularly reviewed. Fraud plans are not based on an agency-specific fraud risk assessment and as a result are not comprehensive.

5.5 Fraud identification and management

The detection, investigation and response to fraud are key elements of an effective fraud control framework. Such a framework provides employees and external stakeholders with assurance that an agency's assets are protected, perpetrators of fraudulent activity are identified, and appropriate remedies applied.

Fraud detection and prevention activities would normally be captured in a fraud management plan.

5.5.1 Detecting fraud

The detection of fraud may occur through:

- monitoring high risk jobs or activities
- identifying breaches of internal controls
- analysis of data to identify unusual or suspicious transactions
- reviewing transactions or operations
- staff noticing unusual behaviour, or changes in the behaviour of other staff.

Findings

There was no evidence that high risk jobs or activities were actively monitored in any of the agencies.

While all agencies have established some fraud detection processes, these are not comprehensive or linked to a fraud risk assessment. The identification of fraud is primarily reliant on staff, contractors or suppliers reporting unusual behaviour or non-compliance with organisational policies and procedures.

Better practice examples of fraud detection identified by the audit include electronic reviews of transaction data to identify duplicate payments, and processes to identify and interrogate the re-issuing of a certificate of attainment.

5.5.2 Reporting, investigating and responding to fraud

As fraud is most commonly identified through reports made by other staff, suppliers or contractors, agencies require processes that allow fraud and other suspicious or unacceptable behaviour to be reported.

Fraud reporting processes should designate a person with responsibility for receiving and investigating allegations of fraud or suspicious behaviour and establish mechanisms such as a hotline to register allegations.

Once a complaint has been received agencies need to determine whether or not it will be investigated, using criteria such as seriousness of the allegation, when it is alleged to have occurred, and what evidence is available.

Agencies should also have complaint handling systems and processes to manage whistleblower complaints. Guidance material on establishing complaint handling systems and whistleblower protection programs is available from the Ombudsman Victoria and in Standards Australia's *Whistleblower Protection Programs for Entities* respectively.

Agency policies and procedures should:

- outline how the agency will respond to complaints, including maintaining confidentiality
- provide guidance on the legal and procedural aspects of conducting investigations
- indicate when and how to contact police
- provide guidance on recovering assets
- include briefing requirements of the CEO and board.

Individuals assigned to investigate allegations should have the necessary authority and skills to evaluate allegations and determine the appropriate course of action.

Agencies should have a case management system to document fraud investigations. Information collected should include:

- the identity of the individuals involved, the nature and the circumstances of the alleged offence, the financial impact and period over which the fraud occurred
- an outline of the investigation findings and conclusions, including statements from witnesses
- the agency response and recovery action initiated
- an assessment of control weaknesses and any improvements implemented.

The board should be made aware of any fraud investigations, and be actively involved if allegations are made against senior management.

Findings

The agencies have comprehensive policies and processes for reporting and investigating suspected frauds, easily accessible by staff via the intranet. One policy stated that the person receiving the complaint should consider reporting the suspect activity to the CEO. Better practice is that the CEO is always informed.

Two agencies have arrangements for an independent organisation to manage allegations of fraud and other inappropriate behaviour. Complaints have been received from staff in both agencies, indicating they are aware of and able to use the process.

Whistleblower protection policies have been established in all agencies. Two agencies have been the subject of whistleblower investigations.

All agencies have adequate systems to document fraud investigations.

Conclusion

Agencies are not strategic in their approach to fraud management, relying instead on their routine internal systems, and their reporting and investigation processes. The agencies have not assessed the efficacy of the system controls in the management of fraud.

Agencies have established comprehensive processes for reporting and investigating suspected frauds and other inappropriate behaviour. However, a more proactive approach to detecting fraud is required.

5.6 Agency reporting of fraud

The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* require public sector agencies to notify the Minister for Finance and the Auditor-General of all cases of suspected or actual theft, arson, irregularity or fraud in connection with the receipt or disposal of money, stores or other property of any kind under the control of the agency.

The Standing Directions also require agencies to include governance and other information in their annual reports relevant to the management of fraud such as information on the board and its operation, pecuniary interests of relevant officers, ex gratia payments and related party disclosures.

Findings

The audit identified three examples of thefts and losses—such as laptop computers and mobile phones—that were reported internally but not reported to the Auditor-General and the Minister of Finance as required.

Conclusion

Agencies are not meeting the reporting requirements of the *Financial Management Act 1994*.

5.7 Management review

To effectively manage fraud, agencies need to gather information on the incidence of fraud in their agency and monitor the performance of their fraud management framework.

Agencies should collect information:

- on the number and types of frauds initially reported/alleged, investigated and prosecuted
- to estimate the cost of fraud loss identified
- on the effectiveness of risk management strategies
- on the outcomes and impacts of quality assurance reviews, fraud investigations and audits.

Agencies should monitor the operation of their fraud control frameworks for continuous improvement, and, in particular:

- identify fraud trends
- assess the effectiveness of the agency's fraud control framework
- update agency risk assessments and identify new and emerging risks
- develop new procedures and controls to address emerging risks and deficiencies in the control framework.

Findings

None of the agencies had established systems to capture, collate and analyse information on the incidence of fraud, or mechanisms to assess their fraud management frameworks.

Recommendations

- 5.1 The Department of Treasury and Finance's risk framework should specifically require agencies to identify and address fraud risks.
 - 5.2 Agencies should benchmark their management of fraud against the Australian Standard AS 8001:2008.
 - 5.3 Agencies should:
 - develop and regularly review fraud management plans that address agency-specific risks, and include adequate prevention and detection processes
 - capture data and report the incidence of fraud
 - periodically evaluate the effectiveness of their fraud management strategy.
-

6 Operating systems

At a glance

Background

Policies, procedures and internal controls assist agencies to operate efficiently and effectively by informing and guiding staff in undertaking their functions.

By monitoring staff compliance with these rules agencies can identify errant behaviour and potential fraud. However, to be effective, policies and procedures must be current, comprehensive and consistently applied.

Findings

- The application, comprehensiveness and range of operating policies and procedures were variable within and across agencies. Policies for asset management, procurement and contracting were not identified in all agencies.
- Audit committees have not included fraud related activities in their annual audit programs.

Recommendations

- Agencies should regularly review and update their operating policies and procedures and monitor staff compliance (**Recommendation 6.1**).
- Audit committees should periodically review governance and fraud prevention activities (**Recommendation 6.2**).

6.1 Introduction

Policies and procedures assist agencies operate efficiently and effectively by informing staff of the organisational goals and guiding their achievement. They:

- establish the rules for accountability
- clarify staff roles and responsibilities
- facilitate consistent decision-making.

Internal controls serve a number of purposes including protecting agency resources, assisting them comply with laws and regulations, accurately recording and reporting on their operations, manage risks and reduce wastage. They play an important role in preventing and detecting fraud.

6.2 Operating policies and procedures

Policies and procedures should be reviewed regularly to maintain their currency and relevance. Reviews should take account of changes to the operating environment that may necessitate additional, or revised, policies.

The audit examined four areas considered to be at risk of fraudulent behaviour:

- human resources
- asset management
- contract management
- financial management.

Fraudulent behaviour, that policies in the aforementioned areas may prevent, includes theft of cash and other assets, and inappropriate awarding of contracts for personal benefit.

Human resources management is important for establishing and maintaining an appropriate culture that contributes to fraud control.

6.2.1 Human resources

Managers are responsible for monitoring staff compliance with agency human resource policies and procedures. The human resource (HR) section:

- establishes policies and procedures for recruitment, performance management promotion and termination
- provides advice on and monitors agency compliance with legislation, policies and industrial agreements.

Effective HR practices assist agencies recruit and retain staff whose ethics and values align with those of the agency. These staff are more likely to behave appropriately, comply with agency policies and report non-compliance therefore reducing the risk of fraud.

The agencies had recruitment policies and procedures, including:

- senior management approval of staff appointments
- identity, probity and referee checks for new staff
- probationary arrangements prior to making staff appointments permanent.

The HR function in the Adult Multicultural Education Service (AMES) was managed by a non-executive employee and the Driver Education Centre of Australia Limited (DECA) did not employ HR personnel. These arrangements diminish the effectiveness of the function and increase the risk of non-compliance with policies and procedures, as there is no appropriate, independent oversight.

The processes used by agencies to recruit casual and sessional staff are less rigorous than for permanent staff. In some cases staff have commenced work before the paperwork and referee checks have been completed.

HR policies and procedures were generally complied with, although non-compliance was identified in AMES and the Centre for Adult Education (CAE). Examples include:

- absence of documentation to support staff appointments such as referee checks, photo identification, job applications etc.
- no, or insufficient, documentation of selection processes
- non-compliance with conditions in staff contracts
- staff performance assessments not prepared or incomplete.

At AMES, although it was identified during a performance assessment that a staff member did not have the requisite teaching qualifications, it took more than six years to address, despite action commencing on a number of occasions.

Exit interviews are a useful mechanism for identifying fraud and other inappropriate behaviour. They can also provide a useful contribution to continuous improvement of systems. Three of the agencies have processes to obtain feedback from staff leaving the organisation. There was no evidence, however, that the information provided during exit interviews was used by these agencies.

6.2.2 Asset management

Asset management includes the acquisition, security, maintenance and disposal of assets. Sound policies and procedures help prevent the loss or misappropriation of assets. The level of control over assets should relate to their value, attractiveness and risk of loss.

At the time of the audit, CAE did not have an asset management policy. The policies and procedures in the three remaining agencies were not sufficiently robust to safeguard agency assets. For example:

- stocktakes were not undertaken or were inadequate
- one agency did not have processes to record stock consumed during courses
- one agency did not have a policy for the disposal of assets and could not demonstrate that stock was disposed of at market value
- agencies are accepting stock losses without adequate follow up and revision to stock controls.

6.2.3 Contract management

The Victorian Government Purchasing Board procurement guidelines promote value for money and transparency.

Agencies should have:

- appropriate processes for procuring goods and services
- performance measures and contract review mechanisms.

CAE did not have a contract management policy at the time of the audit. Another agency, DECA, did not have policies or procedures covering the acquisition and sale of goods and services. As a consequence there is limited management control over this activity, increasing the risk of fraud.

The two remaining agencies had comprehensive contract management policies, procedures and guidelines that included how to develop contract specifications and approval requirements.

There was no evidence that the agencies had periodically reviewed existing contracts. The security services at CAE had been provided by the same company for more than 20 years without being re-tendered.

Periodic tendering assures agencies are receiving value for money and reduces opportunities for collusion between suppliers and employees.

6.2.4 Financial management

Agencies should establish:

- policies and procedures covering all aspects of financial management such as credit card usage, bad and doubtful debts, travel and refunds on goods and services
- management controls that contribute to fraud management include monthly reconciliations, security over cash and monitoring performance against budgets.

While agencies generally have financial policies, procedures and management controls, in some cases they are not sufficient to manage the risk of fraud. Examples include:

- no documented process for the management of bad debts
- inadequate segregation of duties. For example, one IT Administrator has access to the finance system, is a bank signatory and on occasions authorises payroll
- inadequate controls over staff banking information—there are no procedures to identify changes to account details or the creation of fictitious accounts.

The three agencies that have credit cards have comprehensive credit card policies and procedures. Nevertheless, in one agency cash advances were taken in breach of agency policy and there is no evidence that they were reimbursed.

6.2.5 Monitoring compliance with agencies policies, procedures and internal controls

Compliance monitoring of policies, procedures and internal controls should form part of an agency's quality assurance and internal audit programs.

Internal audit

The role of internal audit is to examine business processes, procedures and activities to identify and propose solutions to issues facing agencies. This may involve assessing financial reporting, record keeping, fraud management, compliance with laws, policies and procedures and the efficacy of agency operations.

It is important for internal audit to report audit findings directly to an agency's audit committee or board.

Quality assurance

Quality assurance reviews provide management with assurance that activities and systems are operating as intended, and that processes and procedures are uniformly applied.

Findings

The audited agencies all have internal audit functions. At DECA, CAE and William Angliss Institute of TAFE (WAI) internal audit reports directly to the audit committee.

The Chief Executive Officer (CEO) at AMES reviews audit reports prior to them being given to the audit committee. This is an undesirable arrangement as the CEO could influence the findings presented to the audit committee, however, there was no evidence of this occurring.

The four audited agencies each have an internal audit charter and develop annual audit programs. The programs included audits of:

- risk management
- financial controls
- compliance with organisational policies and procedures
- management of contractors and consultants
- human resources.

None of the internal audits focused specifically on fraud control, and only WAI had reviewed governance arrangements.

Quality assurance reviews are undertaken in the audited agencies, however, there is no requirement to report the results to the audit committees. The provision of this information would assist audit committees to identify areas of risk, and manage non-compliance, reducing the opportunity for fraud.

6.2.6 Conclusion

Fraud is usually an opportunistic crime, associated with an inadequate internal control framework.

Agencies are relying on policies, procedures and internal controls within their operating systems to prevent and detect fraudulent behaviour. However the quality and comprehensiveness of policies varied considerably and was particularly poor in the areas of contract and asset management.

In addition, policies and procedures were not consistently complied with in AMES and CAE.

In the absence of comprehensive well maintained operating policies and procedures that are consistently applied, fraud may be occurring without the agencies being aware of it.

Recommendations

- 6.1 Agencies should regularly review and update their operating policies and procedures and monitor staff compliance.
 - 6.2 Audit committees should periodically review governance and fraud prevention activities.
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Auditor-General's reports

Reports tabled during 2008–09

Report title	Date tabled
Managing Complaints Against Ticket Inspectors (2008–09:1)	July 2008
Records Management Checklist: A Tool to Improve Records Management (2008–09:2)	July 2008
Investing Smarter in Public Sector ICT: Turning Principles into Practice (2008–09:3)	July 2008
Private Practice Arrangements in Health Services (2008–09:4)	October 2008
Working with Children Check (2008–09:5)	October 2008
CASES21 (2008–09:6)	October 2008
School Buildings: Planning, Maintenance and Renewal (2008–09:7)	November 2008
Managing Acute Patient Flows (2008–09:8)	November 2008
Biosecurity Incidents: Planning and Risk Management for Livestock Diseases (2008–09:9)	November 2008
Enforcement of Planning Permits (2008-09:10)	November 2008
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2007–08 (2008–09:11)	November 2008
Local Government: Results of the 2007–08 Audits (2008–09:12)	November 2008
Management of the Multi-Purpose Taxi Program (2008–09:13)	December 2008
Results of Audits for Entities with 30 June 2008 Balance Dates (2008–09:14)	December 2008
Preparedness to Respond to Terrorism Incidents: Essential services and critical infrastructure (2008–09:15)	January 2009
Literacy and Numeracy Achievement (2008–09:16)	February 2009
Administration of the <i>Flora and Fauna Guarantee Act 1988</i> (2008–09:17)	April 2009
Access to Public Hospitals: Measuring Performance (2008–09:18)	April 2009
Management of School Funds (2008–09:19)	May 2009
The New Royal Children's Hospital—a public private partnership (2008–09:20)	May 2009
The Channel Deepening Project (2008–09:21)	May 2009
Results of Audits for Entities with other than 30 June 2008 Balance Dates (2008-09:22)	May 2009

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