

# ***Implementing the Gifts, Benefits and Hospitality Framework***

**Tabled 10 December 2015**

The Auditor-General provides assurance to Parliament on the accountability and performance of the Victorian Public Sector. The Auditor-General conducts financial audits and performance audits, and reports on the results of these audits to Parliament.

On 10 December 2015, the Auditor-General tabled his performance audit report, *Implementing the Gifts, Benefits and Hospitality Framework*.

## Overview

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- Agencies are unable to demonstrate effective management of gifts, benefits and hospitality (GB&H) risks.
- Agencies have not adequately monitored and reported on GB&H.
- The Victorian Public Sector Commission (VPSC) and Department of Premier & Cabinet (DPC) need to update the current framework.

The key conclusions coming out of this audit are that:

- Agencies largely comply with the current policy framework which mandates that they document, but not achieve, its minimum requirements
- Their approaches are not sufficient to manage the significant risks posed by the receipt or provision of gifts, benefits and hospitality to their impartiality and integrity.
- We also found that the oversight arrangements in place at agencies with regards to GB&H are weak.
- The current framework needs to be revised and updated to focus on the effective management of these risks and agencies need to improve their approaches to managing these risks.

## Background

- A **gift** or **benefit** is anything of value that is offered to, or provided by, a public sector employee in the course of their work—apart from normal entitlements.
- **Hospitality** is the friendly reception and treatment of guests. It can be received by or provided by public sector employees.
- Giving and receiving of GB&H can be a legitimate and appropriate. However, there are clear risks.
- Integrity required by legislation, the *Code of Conduct for Victorian Public Sector Employees*, and requirements documented in the government's GB&H framework.

A gift or benefit is anything of value offered to or provided by a public sector employee, for example a present for a long-serving employee, an invitation to an event, or gifts provided to or received from a visiting international delegation.

Hospitality involves the friendly reception and treatment of guests, for example providing refreshments during business meetings, team building exercises or agency funded celebrations. GB&H activities can be essential for some public sector employees to do their jobs properly, however, there are clear risks that need to be managed. These activities can create conflicts of interest or can be perceived as lavish or inappropriate by the community.

Because of the very different operating contexts across the public sector, a 'one size fits all' approach to GB&H is not suitable.

The government's gifts, benefits and hospitality framework, in conjunction with a Premier's Circular, sets out the minimum requirements and accountabilities that agencies should document in their policies.

## Focus of this audit

### Key areas examined

- Management of GB&H related risks and activities:
  - Identifying, assessing and treating risks.
  - Consultation and communication with employees and stakeholders to understand the risks.
  - Monitoring and reviewing the impact of risks and treatments.

In this audit we went beyond testing compliance with the requirement that policies include the framework's minimum requirements.

We assessed agencies' effectiveness in managing the risks involved in providing or receiving GB&H.

## Audit scope

### Management of GB&H for four creative industries agencies:

- Creative Victoria—a division of The Department of Economic Development, Jobs, Transport & Resources (DEDJTR)
- Three further agencies—Museum Victoria (MV), National Gallery of Victoria (NGV) and Arts Centre Melbourne (ACM)

### Oversight:

- The Department of Economic Development, Jobs, Transport & Resources (DEDJTR) through Creative Victoria
- Whole-of-government—Victorian Public Sector Commission (VSPC) and Department of Premier and Cabinet (DPC)

This audit examined a sample of creative industries agencies including: Creative Victoria (CV)—a division of Department of Economic Development, Jobs, Transport & Resources (DEDJTR)—Museum Victoria (MV), the National Gallery of Victoria (NGV) and the Arts Centre Melbourne (ACM)

The audit also examined the oversight and guidance provided by:

- the portfolio department— being DEDJTR through CV and
- agencies with a whole-of-government role—being the Victorian Public Sector Commission (VPSC) which formulates and revises the government's policy framework, and the Department of Premier & Cabinet (DPC), which is the portfolio department for VPSC and provides advice to the Premier.



## Management of GB&H activities (1)

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Agencies are not effectively managing GB&H activities.

- Accepting offers of GB&H
  - ACM, MV & NGV—inadequate scrutiny and treatment of offers
  - Clear examples of potential conflicts, unclear benefits and high-value gifts—see next slide for an example
  - CV has taken a different and better approach
- Provision of GB&H—lack of clarity about:
  - Link to policy objectives and reasonableness of costs
  - Classification of hospitality by agencies

**Agencies need to apply greater scrutiny and transparency.**

We found a number of significant weaknesses in agencies' management of GB&H activities. We found examples of gifts being accepted where there were potential conflicts of interest. For example:

- ACM, MV and NGV accepted multiple hospitality offers from businesses to whom they had made contractual payments and
- ACM staff accepted two gifts valued at \$1 360 each from an exhibitor.

Records of GB&H provision did not provide enough detail to adequately describe the business need for the activity, or justify the expense in terms of the likely benefits.

CV has taken a different approach, including the requirement to attend arts-related events in staff position descriptions. The current guidelines do not have a precise and comprehensive definition of 'hospitality provision' and agencies have not consistently classified hospitality expenses.

Agencies need to improve their GB&H documentation and more rigorously scrutinise, monitor and report on their hospitality expenses.

The policy framework needs to clarify what expenses should be included as 'hospitality expenses'.

## Example of potential conflicts of interest

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### Accepted GB&H offers 2013–14 and 2014–15

Description	ACM	MV	NGV
<b>Offers accepted</b>			
Number of offers	203	37	58
Value of offers in total	\$35 223	\$6 356	\$12 940
<b>Offers to contracted organisations</b>			
Number of offers	106	20	26
% of accepted offers	52%	54%	45%
Value of offers in total	\$15 384	\$3 976	\$5 840
<b>Value of payments</b>	<b>\$9 342 191</b>	<b>\$2 303 831</b>	<b>\$2 546 410</b>

- This table provides a snapshot of accepted GB&H at the audited agencies.
- The number of accepted offers ranges from 37 at MV to 203 at ACM. The total value appears small, but the risks in this area cannot be judged purely on this value.
- The most significant finding is that between 45 and 54 per cent of accepted offers came from organisations paid between 2.3 and 9.3 million dollars by these agencies.
- There are clear potential conflicts of interest in accepting GB&H from organisations that are also contracted by these agencies. We found no documented acknowledgement of these potential conflicts or how they had been managed.

## Management of GB&H activities (2)

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### Monitoring, reporting and oversight

- Insufficient analysis, management and reporting
- Case-by-case assessment and documentation inadequate
- Absence of internal audit scrutiny and audit committees not adequately informed and insufficient evidence of review
- DEDJTR—through CV—needs to be more active and visible in its oversight role

**Agencies need to better analyse and report on GB&H activities and internal and external oversight needs to improve.**

The monitoring, reporting and oversight of GB&H activities is inadequate. It relies on management sign-off of GB&H activities case by case, and the periodic review of accepted GB&H by the audit committee. Until recently, none of these agencies analysed and reported on their GB&H activities.

As a consequence, management and oversight of these activities is poorly informed.

We found no internal audit examinations of this area and insufficient evidence to show how audit committees had adequately scrutinised these activities.

Creative Victoria has a clear external scrutiny role but does not exercise it. This needs to change.



## GB&H risk management

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- Framework compliance and agencies—application of this is not sufficient to effectively manage risks.
- Agencies do not adequately:
  - identify, assess or treat GB&H risks
  - consult staff and stakeholders to understand and communicate risks
  - inform and train staff on GB&H risks
  - communicate GB&H expectations to external stakeholders.
- Integrity agencies identified inappropriate acceptance of GB&H as a major misconduct and corruption risk.

**Critical that agencies address these weaknesses and that government's framework for managing this risks is improved.**

Agencies don't capture GB&H risks in their risk management frameworks.

Agencies do not adequately:

- apply well understood better practices to manage these risks
- consult staff and stakeholders or communicate the risks and expectations about these activities
- train staff in how to deal with the risks.

Agencies need to address these weaknesses, and VPSC and DPC need to update the framework to require the effective management of these risks.

Integrity agencies across Australia have identified the ineffective management of GB&H as a major misconduct and corruption risk.

## Recommendations

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		Accept
3.	That DEDJTR plays a more visible and active oversight role.	✓
5.	That DPC and VPSC review and update the framework to achieve the outcomes of agencies effectively managing the GB&H risks.	✓

We made six recommendations:

- The first two focus on oversight and the revision of the government framework to manage GB&H risks.
- DEDJTR accepted that it needs to play a more visible and active oversight role.
- The VPSC has committed to review the framework in early 2016.

## Recommendations – *continued*

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		Accept
That DEDJTR, MV, ACM and NGV:		
1.	review and revise management of GB&H to better understand and scrutinise these activities	✓
2.	review and revise how they monitor and report on GB&H.	✓
4.	review and revise their management of GB&H to effectively manage risk.	✓
6.	improve the way they consult and communicate GB&H activities and policies and measure the outcomes of communication and training activities.	✓

Four recommendations are aimed at improving agencies' practices so they can better manage GB&H risks.

All agencies described the actions they would take to address these recommendations.

## Key messages

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**Agencies need to apply greater scrutiny and transparency in managing GB&H.**

**Monitoring and reporting on GB&H needs to be sufficiently informed by adequate analysis to effectively mitigate risks.**

**Agencies need to systematically identify, assess and treat GB&H risks, consult and communicate agency expectations.**

The key messages from the audit are that:

- agencies need to apply greater scrutiny in managing GB&H activity
- GB&H monitoring and reporting needs to be informed by adequate analysis to effectively mitigate the associated risks
- agencies need to identify, assess and treat GB&H risks, and consult and communicate with stakeholders on their GB&H approach.

## Overall message

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**Agencies need to better manage GB&H activities and related risks, supported by a revised risk-based framework.**

The overall message is that agencies need to better manage GB&H activities and related risks, supported by a revised risk-based framework.



## Relevant audits

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- *Managing Regulator Performance in the Health Portfolio (2015)*
- *Managing Consultants and Contractors (2014)*
- *Procurement Practices in the Health Sector (2011)*

This slide lists other relevant audits.

## Contact details

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