

Appendix C:

Audit scope and method

Scope of this audit

Who we examined

We examined all 10 Victorian Government departments:

- Department of Education
 - Department of Energy, Environment and Climate Action
 - Department of Families, Fairness and Housing
 - Department of Government Services
 - Department of Health
 - Department of Jobs, Skills, Industry and Regions
 - Department of Justice and Community Safety
 - Department of Premier and Cabinet
 - Department of Transport and Planning
 - Department of Treasury and Finance.
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Our audit objective

Have departments implemented suitable controls to prevent, detect and investigate fraud and corruption when procuring goods and services?

What we examined

We examined if Victorian Government departments:

- have policies, procedures and controls to prevent, detect and investigate fraud and corruption during the procurement process
 - follow their procurement policies, procedures and controls for fraud and corruption.
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Conducting this audit

Assessing performance

To form our conclusion against our objective we used the used the following lines of inquiry and associated evaluation criteria:

Line of inquiry	Criteria
1. Foundation: Do departments have a strong fraud and corruption control framework?	1.1 Roles and responsibilities for fraud and corruption prevention, detection and control are clearly defined and widely communicated.
	1.2 Fraud policies, risk assessments and control plans are: <ul style="list-style-type: none"> comprehensive and tailored to the organisation's functions reviewed regularly and updated if required – at a minimum, when there is a major operational change that affects fraud risk.
	1.3 There is internal reporting on procurement activity, risk assessments and fraud and corruption events so that responsible officers can be satisfied to sign off on the organisation's annual attestations.
	1.4 There is staff training so that employees understand what constitutes fraud and corruption, and how to identify and respond to it.
	1.5 Pre-employment screening and additional post-employment screening, especially for high-risk positions (for example, roles with financial delegations), include appropriate background and characters checks.
2. Prevention: Are departments' controls to prevent procurement fraud and corruption proportionate to risk and responsive to the fraud risk assessment?	2.1 There is clear separation of duties in the procurement lifecycle.
	2.2 Due diligence is completed to confirm: <ul style="list-style-type: none"> the legitimacy of new suppliers before contracting this is periodically completed for existing suppliers.
	2.3 Conflicts of interest are identified and managed before and during a procurement.
	2.4 Procurement processes are open and fair.
	2.5 Responsible officers authorise procurement of and payment to suppliers before a contract or payment is finalised.
	2.6 Vendor master file changes initiated/requested by suppliers are independently verified before any change is made.
3. Detection: Are departments' controls to detect procurement fraud and corruption proportionate to risk and responsive to the fraud risk assessment?	3.1 Regular review of procurement and payment activity to identify possible instances of fraud and corruption is conducted.
	3.2 There is a whistleblower process in place to report possible instances of fraud and corruption.
4. Response: Do departments actively respond to procurement fraud and corruption events in a timely manner?	4.1 There is a defined action plan for when a fraud or corruption event is identified, including that: <ul style="list-style-type: none"> an investigation and disciplinary action will be undertaken if necessary any investigation will be undertaken by a qualified professional all fraud and corruption events (including investigations undertaken) will be comprehensively documented incidents will be escalated to integrity bodies and other government agencies (if appropriate).
	4.2 Learnings from fraud and corruption events are used to inform updates to fraud and corruption controls.

Our methods

As part of the audit we:

- assessed relevant documentation from all 10 Victorian Government departments
 - selected DE, DJCS and DJSIR to do a detailed assessment on a sample of:
 - 27 procurements conducted between January 2022 and June 2023
 - 9 procurement exemptions from the departments' standard procurement processes, conducted between January 2022 and June 2023
 - interviewed staff
 - reviewed 18 cases of procurement fraud and corruption at DE, DJCS and DJSIR between July 2022 and January 2024
 - reviewed VAGO's mandatory notifications register between July 2022 and January 2024.
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Compliance

We conducted our audit in accordance with the *Audit Act 1994* and ASAE 3500 *Performance Engagements* to obtain reasonable assurance to provide a basis for our conclusion.

We complied with the independence and other relevant ethical requirements related to assurance engagements.

Cost and time

The full cost of the audit and preparation of this report was \$625,000.

The duration of the audit was 11 months from initiation to tabling.
