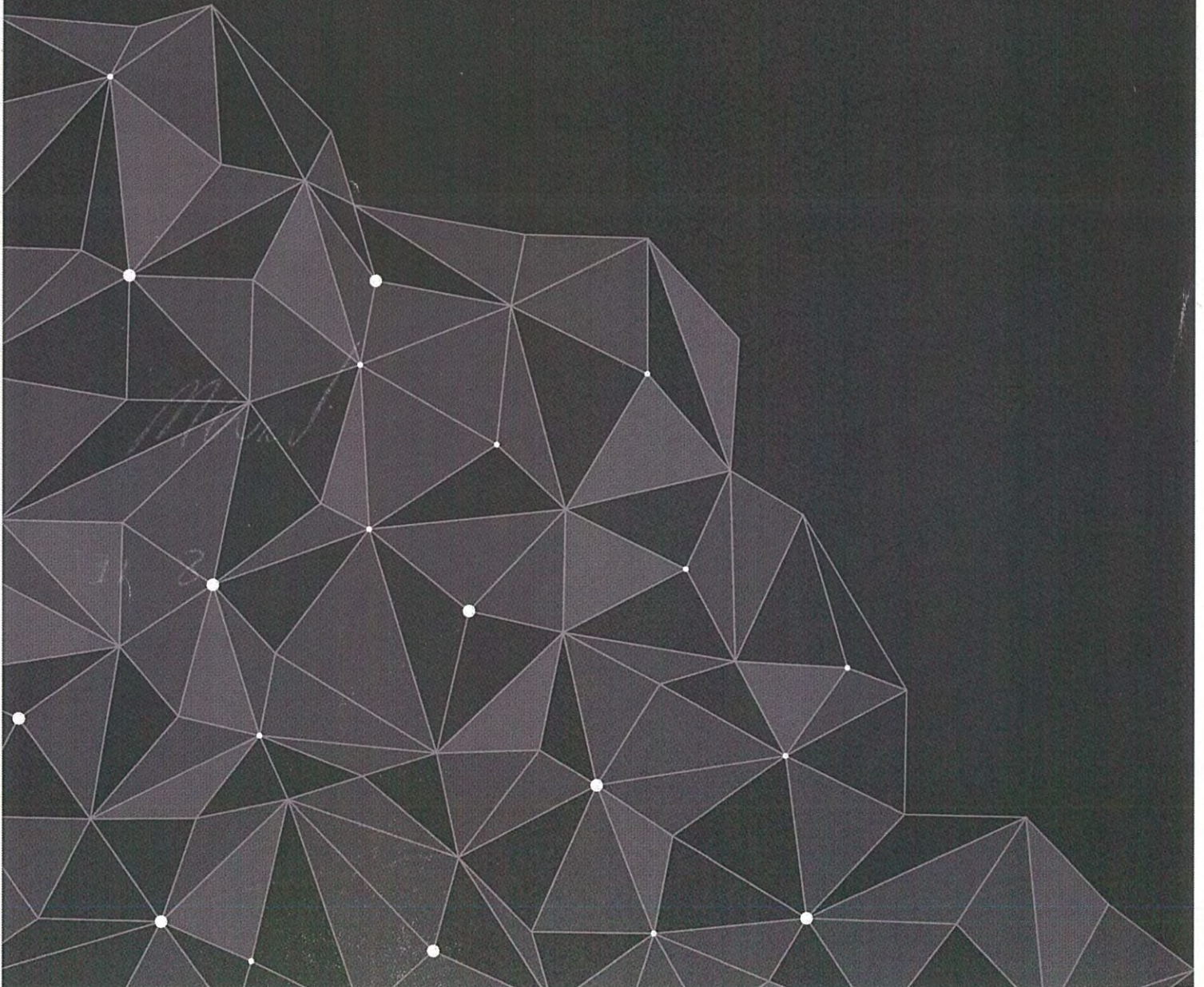


**PROGRESS REPORT IN RESPONSE TO  
RECOMMENDATIONS MADE BY IBAC  
FOLLOWING 'OPERATION FITZROY'  
INVESTIGATION**

30 June 2015









## **PROGRESS REPORT IN RESPONSE TO RECOMMENDATIONS MADE BY IBAC FOLLOWING 'OPERATION FITZROY' INVESTIGATION**

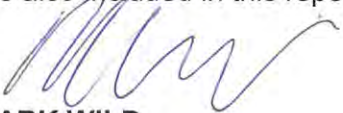
### **TO: THE INDEPENDENT BROAD-BASED ANTI-CORRUPTION COMMISSION (IBAC)**

On 30 October 2014 IBAC published its report into the 'Operation Fitzroy' investigations. At the conclusion of that report, IBAC made a number of recommendations, some of which were directed at Public Transport Victoria.

Following the recommendation that PTV provide a report by 30 June 2015 on its progress in implementing a range of changes concerning its procurement practices, I am pleased to provide PTV's response to the IBAC recommendations.

IBAC made two recommendations in its report that invited corresponding actions by PTV. Details of the actions taken by PTV in response to those recommendations are provided in the attached report. PTV's actions are based on commitments I made in the course of giving evidence before IBAC at the 'Operation Fitzroy' hearings, as well as the continuation of some of the reforms referred to in this report which were underway before the 'Operation Fitzroy' investigation commenced. Throughout this report there are also references to many of the IBAC findings or observations, together with explanations as to how PTV has acted or is acting to address the weaknesses identified in those findings and observations.

PTV has taken other actions in response to the circumstances investigated under 'Operation Fitzroy'. While these actions were not under consideration at the 'Operation Fitzroy' hearings or included by IBAC in its observations and recommendations, details of those additional actions are also included in this report.



**MARK WILD**  
**CEO**

30 / 6 / 2015







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## REPORT

### PART 1 – EXECUTIVE SUMMARY

PTV and the former Department of Transport were indirectly the subject of IBAC's 'Operation Fitzroy' investigation, its hearings, and ultimately its findings, observations, and recommendations. Turning in particular to the IBAC recommendations, IBAC made two recommendations that were specifically directed at PTV. Those recommendations are set out in this report, together with details of PTV's various actions in response to the IBAC findings.

PTV is a relatively new statutory authority. It was created by statute in 2011, however it did not commence operations until 2 April 2012. Most of the business functions of PTV were previously performed by three separate entities comprised of:

- the Director of Public Transport (a statutory body supported by the Public Transport Division of the Department of Transport). The Director of Public Transport's primary functions were to plan the services and infrastructure needed to meet the public demand for public transport; to enter into and manage the contracts with providers of the public transport system; and to manage the procurement of the essential infrastructure needed for the system (assisted in most cases by the Transport Projects Division of the then department);
- the Transport Ticketing Authority. The TTA's primary function was to procure and manage contracts for the public transport ticketing systems;
- a private entity, Metlink (a company jointly owned by the then train and tram franchisees), contracted to the State predominantly to provide the timetabling and marketing aspects of the public transport system.

The personnel needed to perform PTV's functions were in large part inherited from each of these three entities, and (at least in the earlier part of PTV's existence) it also inherited the three diverse business systems used by those entities. As was highlighted by 'Operation Fitzroy', PTV also inherited some inappropriate business practices. As a new statutory entity, it needed to develop its own identity, and review and develop its own business practices. As was also highlighted before IBAC, much of this review and development was already underway by the time the 'Operation Fitzroy' covert investigations had commenced. Regrettably, PTV's efforts at the time were not sufficiently progressed to enable it to identify these inappropriate business practices. PTV accepts responsibility for that failure.

PTV's efforts in developing its own business practices are ongoing, but at the time of producing this report are well advanced, and in many instances fully implemented. 'Operation Fitzroy' has also resulted in PTV adding a range of other activities to improve its business practices, and hastening the implementation of all of these activities. PTV has engaged relevant expert external providers to advise and assist in the development of most of its reforms and new business practices.

PTV's procurement reforms were underway before 'Operation Fitzroy' commenced. The procurement reforms are now well advanced. PTV's policies and practices with respect to procurement have been developed using external expert advice; have been independently

reviewed; have been tested in a real world procurement environment; and are based on the Victorian Government Purchasing Board guidelines. PTV has trained its staff on these new policies and procedures. PTV also has monitoring and control processes in place to ensure continuous improvement in its procurement policies and procedures.

PTV has implemented robust audit processes to ensure that its policies and procedures are being adhered to; that it has the best first-hand information available regarding who it is that it is considering contracting with; and to ensure that any suspect internal behaviour is identified and dealt with.

PTV has proactively undertaken to share its experiences and the expertise it has developed with other parts of the public sector.

PTV is in the process of procuring a more comprehensive contract management system that will address some of the shortcomings identified in 'Operation Fitzroy', and in the meantime has robust systems in place to address those shortcomings until the new system has been deployed. More robust supplier background checking is now conducted.

PTV's fraud and corruption controls have been enhanced and have been given a higher profile within the organisation and PTV staff have received training in those controls. A skilled fraud and corruption response team has been created, and fraud and corruption risks have been identified and incorporated into PTV's risk management processes.

PTV has undertaken significant steps to reform its cultural environment. Staff are now required to put proper process and procedure before expediency. Staff have been trained to identify characteristics that might indicate underlying corrupt conduct; have been provided with information regarding the lines of communication that they can follow to report suspect behaviour; are encouraged to be vigilant; and are ensured of support if they do step forward to report suspect behaviour. PTV management has been given training and enhanced responsibilities and accountabilities regarding procurement processes and management of suspect corrupt behaviour. New PTV staff are inducted into the organisation with training session on PTV's procurement practices and fraud and corruption controls. PTV has a program of ongoing refresher presentations concerning fraud and corruption, staff responsibilities, and support mechanisms available to staff who report suspect conduct.

PTV has ended any business relationship with entities that were implicated in the 'Operation Fitzroy' investigation. PTV has also implemented more robust processes designed to improve the methodology used to identify any need for, and arrange for the procurement of, small scale infrastructure. It also is examining whether small scale infrastructure needs might be delivered under an entirely different model.

Importantly, PTV believes that all of its reformed business practices, audit controls, management systems, and staff work cultures, address all of the system weaknesses identified in the 'Operation Fitzroy' hearings, and the subsequent IBAC findings and observations. PTV also believes that all of these practices are indeed 'best practice' in each of the relevant areas, and are subject to ongoing review and refinement as the need arises.



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## IBAC RECOMMENDATION 1

*"The CEO of PTV provides a detailed progress report to IBAC by 30 June 2015 on the implementation of its program of procurement reforms and cultural change to address the issues identified throughout Operation Fitzroy, followed by a further report demonstrating effectiveness of these reforms by 30 December 2015. These reports will be published on IBAC's website."*

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## PART 2 - PROCUREMENT REFORMS

### 1. *PTV's procurement practices*

During the course of the IBAC investigation, and in the final IBAC report, a range of weaknesses in PTV's procurement processes were highlighted. This Part of the report commences with details of a number of reforms that have been undertaken by PTV to address this, followed by some specific issues identified by IBAC and how the reforms are intended to address those issues.

### 2. *PTV Procurement Reform*

- 2.1. A three-month procurement reform pilot was launched on 30 Sept 2014. Across PTV, 450 people were trained on the revised policy and process framework.
- 2.2. In January 2015, PTV engaged a consultant to perform an independent review of the procurement policy and processes to take into account feedback from PTV staff who had participated in the pilot, and to ensure that the IBAC lessons learnt were also addressed in the new processes. The revised procurement policy, which is based on the Victorian Government Purchasing Board (**VGPB**) guidelines, was approved by the CEO of PTV in March 2015, and is available to all PTV staff on the PTV intranet. Copies of PTV's procurement policy, PTV's Procurement Quick Reference Guide, and PTV's Procurement Procedures Manual are provided as annexures to this report.

The key procurement reforms comprise:

- a. the requirement that there be an early engagement of Procurement Branch for transactions above a threshold that are non-labour hire related (\$25K GST inclusive), i.e. business areas across PTV engage with Procurement Branch to obtain Procurement Branch endorsement prior to PTV approaching the market.
- b. the establishment of clear lines of responsibility and accountability for PTV Divisions, the relevant financial delegates, and Procurement Branch.
- c. the requirement for contract managers of 'strategic procurements' (i.e. complex

and/or high value procurements) to conduct a "lessons learnt" review at the conclusion of the contract.

- 2.3. PTV Procurement Branch has liaised with the VGPB regarding PTV's transition to its new procurement model, and PTV's proposed transition was noted at the VGPB meeting on 16 April 2015. A formal submission of a Procurement Transition Plan to the VGPB is scheduled to be made by PTV at the August 2015 VGPB meeting. However, in the meantime, PTV will be conducting its procurements in accordance with the revised policy and procedures.
- 2.4. An updated procurement training program has been developed, and all PTV Divisions underwent training during April and May 2015.
- 2.5. PTV has implemented monitoring and control processes, including:

#### Reporting

A regular reporting regime has been established in consultation with PTV Divisions, as a result of which the Divisions receive monthly reports on each Division's procurement activities. Items being reported on are:

- a. where actual expenditure exceeds the pre-approved amount;
- b. any contracts that are due to expire within the forthcoming 6 months;
- c. contracts awarded in the three-month period prior to the report;
- d. any purchase orders that have been raised with amounts just below delegation thresholds (\$25K, \$250K, \$500K and \$10M); and
- e. the frequency of purchase orders raised with respect to the same suppliers.

#### Identifying risk

PTV Procurement Branch is working closely with PTV Internal Audit Branch to identify risk areas for investigation. A new resource has commenced in the Audit and Assurance team, and the person in that role will regularly perform detailed audits and review of selected procurements to ensure that procurement policy has been correctly applied. The first of these reviews is currently underway.

### 3. ***Approval of the engagement (or extension) of any in-house contractors can only be made by the CEO***

In October 2014 PTV implemented a policy requiring CEO approval of any engagement (or contract extensions) of in-house contractors. PTV's Human Resources Division monitors ongoing compliance with this policy.

### 4. ***Robust Supplier Validation***

PTV now subscribes to an online public database search service, Encompass. The service provides relational analytics that are able to identify links between companies, and the owners and office bearers of the companies. The service has been deployed across PTV's Procurement, Legal, and Finance sections. It is a solution that will be used to detect critical



supplier information relating to ASIC, bankruptcy searches and company director patterns across suppliers. Training on this online system has been delivered to selected PTV officers.

5. **Sharing IBAC Lessons Learnt across Government**

- 5.1. PTV has prepared a detailed presentation, focusing on the key IBAC findings and lessons learnt, plus the procurement improvement initiatives implemented across PTV.
- 5.2. The PTV 'lessons learnt' presentation has been delivered to the Department of Economic Development, Jobs, Transport, and Resources; the Metropolitan Planning Authority; Places Victoria; VicRoads; the Victorian Government Chief Procurement Officers' forum; the inter-departmental meeting of Deputy Secretaries responsible for procurement; and to an annual Australian Government Procurement Conference.
- 5.3. The presentations were delivered to Departments and Agencies by PTV's CEO, Executive Director Corporate Services and Chief Procurement Officer since November, 2014 and will continue when requested by other agencies. In addition, discussions with individual senior procurement officers have occurred from time to time.
- 5.4. Flowing out of the lessons learnt presentations, additional information was also shared with Departments and Agencies around the structure of PTV's procurement policy, risk management and fraud and corruption framework.
- 5.5. The overall feedback received to date has been extremely positive and recipients have expressed their appreciation to PTV for sharing such important lessons learnt.
- 5.6. A copy of PTV's 'lessons learnt' presentation is provided as an attachment to this report.

6. **How have PTV's Procurement Reforms addressed the IBAC findings?**

IBAC made findings and observations regarding PTV's past procurement processes, including:

- 6.1. *["projects that required three quotes could be submitted for approval by a financial delegate without production of a CARR, supporting documentation or involvement of the procurement team"]*

PTV's reformed procurement processes are designed to ensure that this will no longer occur. These processes include regular monthly reporting, combined with regular internal audits. Procurement reforms have also led to the implementation of the following changes:

- a. recommendation by the relevant contract manager, endorsement by Procurement Branch (\$25K) and approval by the responsible Divisional Director prior to going to market;



- b. recommendation by the relevant contract manager, endorsement by Procurement Branch (\$25K) endorsement by responsible Divisional Director and approval by the appropriate financial delegate (if above the responsible Divisional Director's level of authorisation) prior to award of contract;
- c. Additional reports: identifying the number of contracts awarded; the number of contracts varied; the number of contracts awarded to the same suppliers (broken down by delegation levels);
- d. procurement reform training has been conducted across all PTV Divisions; and additional basic procurement training is being developed.

**Additional activities**

- e. advanced training: basic contract law training is made available to all staff and contract managers (this has now been completed); contract specifications writing training (this has now been completed); and contract management training (in process);
- f. engagement of a training provider to conduct further contract management training, with the first session commencing in late June 2015 and additional sessions scheduled for July 2015;
- g. Use of Tenderlink: for the issue of tenders (mandatory for all public tenders) and submission of tender responses;
- h. Use of VendorPanel: quotation management system for panels. Guidance notes are being drafted by Procurement Branch for contract managers to use when engaging contractors on panels, and staff are encouraged to use whole of Victorian Government panels.

- 6.2. *["benefits were built into quotes by agreement with contractors, and those amounts were then included in the purchase order price and returned by some contractors as kickbacks"]*

The reformed procurement processes are designed to ensure that this activity is less likely to occur and can be detected if it does. This includes the contract award/approval process, monthly reporting to identify any multiple engagements with the same suppliers, with anomalies identified to be referred to PTV Internal Audit. Further strengthening of these controls include the conduct of regular internal audits and use of software such as Encompass.

- 6.3. *["at least one tender threshold of \$150,000 was avoided by "contract splitting"]*  
*["contractors could be engaged under a false identity for work such as evaluation reports on low value contracts that ought to have been undertaken internally"]*

The new procurement processes are intended to ensure that this will not occur. These include enhanced staff training, regular monthly reporting (including a report which specifically looks at the issue of 'contract splitting'); regular internal audits; and use of Encompass.

- 6.4. *["funds left over from previous projects could be applied to later projects, using the same internal Contract Management System (CMS) number"]*

This problem is being addressed by PTV by the planned introduction of a more advanced contracts management system. See more details on this topic in Part 2 below.

- 6.5. *["DOT and PTV favoured timely outcomes above compliance with procurement process"]*

The reformed procurement processes are designed to ensure that this will not occur. These include tailored training on revised procurement policy and processes, and training on contract law, contract management and fraud and corruption prevention. Furthermore, a Procurement Activity Plan that is being developed in conjunction with the various business areas of PTV, has the primary purpose of identifying future key projects, in turn enabling the planning of activities to ensure sufficient time is allocated to the planning of projects and related procurement activities.

- 6.6. *["the procurement team was inadequately resourced"]*

PTV's Procurement Branch now comprises 9 FTE specialist procurement positions (inclusive of the Chief Procurement Officer).

Considerable work has been done by PTV in the last half of 2014 and the first half of 2015 in developing improved procurement methods including:

- a. development of a procedures/process guide to assist business users with key procurement activities;
- b. development of additional procurement templates including template contracts and guides to contract templates;
- c. the implementation of a dedicated analyst who prepares procurement reports (as detailed above) and analysis of spend data;
- d. trialling a workflow system to facilitate the approval of procurement documentation;
- e. implementation of Tenderlink and VendorPanel to assist with administration and reporting.

These tools enable the procurement team to focus on providing assistance to business areas by way of basic hands-on training and/or participating in tender evaluations where necessary.

- 6.7. *["procurement policy was generally not supported by management"]*  
*["management lacked accountability and deficiencies in procurement processes were highlighted to senior management as at 30 April 2012"]*

In addition to specific directives and many meetings and conversations between the

PTV CEO and senior managers, the approval by the PTV CEO of the Revised Procurement Policy in March 2015 provides clear lines of responsibility and accountability for PTV Divisions, financial delegates and members of the Procurement Branch.

- 6.8. *["staff members were not properly, or at all, trained for risk identification associated with fraud and corruption"]*  
*[For the period 2008 to 2012, evidence could not be found that employees of DOT and PTV were trained in relation to fraud and corruption.]*

PTV Response: PTV's Fraud and Corruption Training Activities and the Fraud and Corruption Lead Indicator monitoring process (both referred to in greater detail elsewhere in this report) are intended to address these issues. Importantly, these initiatives are comprehensive programs developed following PTV's procurement of external expert advice on the subject matter. Application of the initiatives is also mandatory. All PTV staff are required to undertake the training, whether as part of PTV's induction package, or as part of PTV's program of refresher training that is being developed.

- 6.9. The implementation of regular monthly reporting to Divisional Directors, together with regular internal audits, in conjunction with the procurement policies (referred to above), and the fraud and corruption framework which clearly identifies management responsibilities, will:
- a. give greater visibility of procurement processes;
  - b. make PTV senior management more responsible and accountable; and
  - c. provide a more robust financial recording system.

## **7. KPMG Internal Audit Report**

In May 2015 KPMG presented an Internal Audit Report into its audit of the outcomes of PTV's Procurement Reform Program. The KPMG internal audit team had positive findings in to the guidance provided by the Procurement team, and the conduct of the trial of the procurement process.

*"Internal Audit noted the following positive findings:*

- *The efficiency and level of guidance provided by the Procurement team was consistently praised by Project Managers surveyed as part of this Internal Audit.*
- *Procurement had a robust process to conduct the trial of the Procurement Reform process, including providing initial training to affected PTV personnel, keeping an issue register for the trial, and having an independent review at the end of the trial to identify lessons learned."*



## PART 3 - FINANCIAL CONTROL REFORMS

### 8. ***Review of the Contract Management System (CMS)***

IBAC made a finding regarding PTV's use of its CMS system, being:

*["the application of CMS was not mandatory. PTV has indicated that confusing and overlapping procurement policies have since been streamlined"]*

PTV is taking steps to address these issues. PTV is sourcing a new contract management system. Requirements for leading the system have been scoped and there has been a market scan of appropriate suppliers, PTV to assess and reviewing two potential systems. Next steps are the award of an appropriate contract and then the deployment of the system, with a target deployment date of December 2015. The new system will have improved monitoring and contract variation control processes and a significant improvement in the provision of financial information on each contract.

In the meantime, PTV has instituted a range of manual checks and reconciliations between the Accounts Payable and CMS systems to manage the current system inadequacies.

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## PART 4 - FRAUD PROTECTION SYSTEM REFORMS

### 9. ***Fraud and Corruption Control Plan***

PTV's Fraud and Corruption Control Plan (Policy and Procedure) has been updated in line with best practice standards (AS 8001- Fraud and Corruption Control). The policy was approved for implementation by the PTV Board in September 2014. A copy of PTV's Fraud and Corruption Control Plan (Policy and Procedure) is provided as an annexure to this report.

### 10. ***Fraud and Corruption Response Procedure***

This procedure has been developed and implemented. It ensures that PTV has adequate processes in place to respond to reports of fraud and corruption. The procedure was tabled with the Fraud and Corruption Response Team (see further below) and was approved for implementation by the PTV Board in November 2014.

11. ***Fraud and Corruption Response Team***

- 11.1. PTV has established a Fraud and Corruption Response Team (**FCRT**) consisting of PTV Executive representation across key Divisions. The training requirements of the FCRT were also considered as part of the training program for 2014.
- 11.2. Ernst & Young were engaged to deliver a workshop training session for members of the FCRT. This workshop was delivered to the FCRT on the 20 October 2014, and targeted the roles and responsibilities of the FCRT with focus on fraud and corruption response and investigation activities. The session was delivered through the use of case studies and interactive training session examples.
- 11.3. Under the FCRT terms of reference, the FCRT must meet at least twice a year; has additional meetings as required; and must meet should an issue arise between routine meetings that requires immediate attention. The FCRT will have met 5 times between 10 September 2014 and the end of June 2015.

12. ***Fraud and Corruption Risk Workshop***

A high level fraud and corruption risk assessment workshop was conducted by an expert external provider in May 2014. The process consisted of interviews with PTV Divisional Directors to identify key fraud and corruption risks (in each division) followed by a risk assessment workshop. Identified risks have been referred to PTV Risk Management. The workshop outputs included the following:

- a. Eleven fraud and corruption risks were identified as part of the high level risk assessment process.
- b. Risk information was distributed to Risk Management for inclusion in the risk register and key elements of the identified risks were factored into the register.
- c. A follow up detailed risk assessment process will be undertaken at a future date.
- d. This follow up process will serve as a post-IBAC refresher, and will focus on particular divisions and key processes.
- e. Procurement activities to source a service provider to undertake this follow up process commenced in April 2015.

13. ***Review of IBAC transcripts***

Ernst & Young was engaged to conduct a complete review of the IBAC 'Operation Fitzroy' hearing transcripts. A report of the review findings was provided to PTV in September 2014. The report included recommendations directed at addressing the IBAC findings, in particular focusing on procurement reform activities, delivery of fraud training and maintenance/monitoring of the Fraud and Corruption Control Plan (Policy and Procedure). Those recommendations are reflected in many of the reforms undertaken by PTV and referred to throughout this report.

**14. Best practice in supplier background checking**

- 14.1. PTV engaged Ernst & Young to provide advice with respect to best practices in undertaking supplier background checks and due diligence processes (procurement). That advice was finalised and provided to PTV in October 2014.
- 14.2. The report identified 15 leading practice standards which focus on due diligence and background checking and 12 publicly available databases/intelligence tools available to automate aspects of due diligence and background checking activities.
- 14.3. As a consequence, a supplier background checking process has been developed at PTV which is conducted by representatives of Finance, Legal and Commercial Divisions, using the Encompass online analytical search tool.

**15. Specific weaknesses identified by IBAC and corresponding PTV actions**

IBAC observed that there were weaknesses in the internal audit systems:

- 15.1. PTV Response: PTV has now undertaken the following internal audit activities to address this issue:
  - a. The Internal Audit Plan is signed off and approved by the PTV Audit and Risk Committee.
  - b. Planned Internal Audit activities factor in key PTV risks as listed in the PTV Risk Register.
  - c. An Audit Findings Tracking Process has now been developed and established to track the status of audit findings and associated action plans emanating from internal and external audits (by division)
  - d. Audit Contact points have been established in each division.
  - e. A centralised Audit and Assurance Officer has been allocated to control and manage this process.
  - f. An audit tracking register has been developed and is being utilised to monitor all audit findings, action plans and action due dates.
  - g. The status of audit actions is reviewed by the PTV Audit and Risk Committee.
  - h. Outstanding findings and corresponding actions are escalated through PTV's Visualisation room reporting and discussed in the weekly Executive Meeting.
  - i. Clearance of Audit Findings is required to be approved by PTV's Internal Auditors (KPMG).
  - j. Changes to action due dates requires approval by the CEO through PTV's 3 on 1 Director meeting process.
  - k. KPMG has performed an Internal Audit Review of the procurement process.
  - l. A future post implementation review is planned for the future.



IBAC also stated that:

15.2. *["At the public examinations, Mr Wild was asked to comment on the adequacy of KPMG analysing only three contracts in what Mr Wild termed was a 'deep dive' investigation. Mr Wild conceded that 'knowing what we know now, clearly that should have been a lot more thorough and maybe the sample size wasn't particularly large but I do know from that report, major reform was instituted'. While not fully explored in the investigation or public examinations, the ad hoc auditing process and the response to the KPMG audit also raises concerns about the effectiveness of PTV's audit and risk management functions."]*

PTV Response: PTV has taken the following steps to address this issue:

- a. The PTV Procurement Team has appointed a full time Procurement Analyst to review contract and procurement data.
- b. Key procurement, supplier and contract data is being tracked through PTV's Visualisation Room Reporting.
- c. A Lead Indicator Monitoring Process has been developed. One of the lead indicators relates to contract and procurement information.
- d. The PTV Audit and Assurance Branch has established an Internal Controls Review Program. This program of work will supplement the Internal Audit Function (outsourced to KPMG). It will focus on detailed transactions and deep diving of transactional information.
- e. A full time Internal Control Reviews Advisor has now been appointed.
- f. Interviews have been conducted with PTV Directors to identify key risk areas and any processes requiring review.
- g. An Internal Control Review Audit Plan is currently under development.
- h. The Internal Control Review Advisor is currently performing a deep dive transactional procurement review.
- i. Reviews are planned by KPMG into procurement as mentioned under previous topic.

IBAC also observed that:

15.3. *["Mr Wild also advised that PTV is working to establish an environment that welcomes complaints being made, in accordance with the line of reporting to internal management, but more broadly, to any employee at PTV."]*

Reference is made in various places in this report to the efforts that have been made by PTV to provide an enhanced environment in which PTV staff are encouraged to report suspect behaviour or make complaints with respect to perceived inappropriate conduct related to procurement activities, and to provide support to any staff member who does so. This encouragement has been provided through training, online resources, in procurement documentation, and through the creation of a Fraud and

Corruption committee.

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## PART 5 - CULTURAL REFORM

### 16. **IBAC observations regarding the PTV procurement culture**

IBAC characterised and highlighted the PTV cultural circumstances (including the culture PTV inherited from the Department of Transport) in the following terms:

16.1. *"[The current focus for much of the procurement activity in DOT can be described as ensuring compliance with the relevant government policies and department rules and achieving the desired result as expeditiously as possible.]"*

*The driving ethos at DOT was to 'make sure we didn't bend – break any of the rules too much, and if we did, don't worry about it and just achieve the result, make it happen'.*

*Mr Wild attributes the culture identified by him, and set out earlier in this section, to a reluctance to follow proper procedures on the basis that 'this is how we have always done business around here'. According to Mr Wild, it was a case of 'the process was getting in the way and the large volume of work had to be done, so it was almost bypassing the process to expedite the works'.*

*Mr Wild characterised the environment in 2012 in these terms:*

*'When PTV commenced operations in 2012, it inherited serious cultural problems.*

*The most significant of these can be summarised very simply. First, ..... Second, a work environment that some saw as robust and knockabout might more accurately be perceived as a 'clubby environment' with its own unwritten rules and values. Third, a reluctance to follow proper procedures was explained away, by some, on the basis that 'this is how we have always done business around here.*

*'There wasn't support for procurement in that culture. It wasn't a priority. It was just an advisory role and it was a management culture that didn't support procurement, especially procurement rules or activities that I was trying to enforce.']"*

16.2. PTV has taken considerable steps to address these issues, including the changes referred to in the remaining paragraphs of this Part.

### 17. **Changing the old culture to encourage and equip staff to identify, report and act on patterns of irregular conduct**

The PTV Board endorsed a program of staff training around building values. This program is reflected in a Change Management Plan (a plan that is presently in evolution), and the staff training program component of this plan is being progressively rolled out across FY2014/2015 and FY2015/2016.

18. **Targeted Training and Education – IBAC training**

In May 2014 IBAC gave a presentation to a group of PTV Staff from various parts of the organisation on the *Protected Disclosure Act 2012* and on IBAC's role. Both these topics form an integral part of our Fraud and Corruption training given to all staff (see below)

19. **Targeted Training and Education – Fraud and Corruption training**

19.1. Ernst & Young was engaged to develop a fraud and corruption awareness training program for PTV. This program consisted of the development of fraud and corruption awareness training material and physical delivery of training sessions to PTV staff members.

19.2. A total of six fraud and corruption awareness training sessions were delivered by Ernst & Young to staff between June and September 2014. Several internal training sessions were also delivered to staff that were unable to attend one of the six training sessions. A training session was also delivered by IBAC.

19.3. Staff training attendance records were maintained and the Learning Management System (LMS) was updated with these records. As at September 2014, approximately 98% of all eligible PTV staff members had received fraud and corruption awareness training.

19.4. A copy of PTV's Fraud and Corruption Control Staff Training presentation is annexed to this report.

20. **Targeted Training and Education – Fraud & Corruption Training Activities – 2015 (Upcoming)**

20.1. Following the initial rollout of fraud and corruption training that was conducted in late 2014, PTV recognised the need for ongoing training to ensure that new staff obtain the benefit of the training and existing staff obtain regular updates and refresher training.

20.2. To that end, the PTV Fraud and Corruption Control Plan (Policy and Procedure) has been developed in line with Australian Standard AS 8001 (2008) Fraud and Corruption Control. The policy and procedure outline PTV's roles and responsibilities for fraud and corruption. PTV is committed to delivering regular fraud and corruption training to all staff in line with this policy.

20.3. On this basis PTV has identified a fraud and corruption training program for 2015. The procurement of a service provider to deliver these services has recently been finalised. It is anticipated that training will commence and be rolled out in July 2015. The fraud and corruption training program for 2015 will consist of the following activities:

- a. Development of Fraud and Corruption Training material suitable for staff.
- b. Delivery of all staff fraud and corruption awareness training sessions.



- c. Development of fraud and corruption training material for use in an online training module which can be used to train new starters or administer refresher training.
- d. Fraud and Corruption Training Workshops for staff members in specific high risk business areas (i.e. procurement, finance, project areas).
- e. Specific training for the FCRT.
- f. Specific training for the PTV Executive.

## 21. **Targeted Training and Education – Professional Obligations**

A Professional Obligations training and assessment module was created in 2014 and sent to all staff to inform them of their professional and legal obligations and responsibilities at PTV. The module was mandatory for all PTV staff, was sent out in September 2014, and was completed by all staff. This content was then rolled into the PTV online staff induction package so any new employee would be informed of their professional obligations (see further below).

## 22. **Targeted Training and Education – PTV Induction**

22.1. A PTV online staff induction module is sent to all new PTV employees and contractors within one week of their commencement date and they are required to complete the training as soon as possible. If a new staff member has not completed the training within the first week, the HR Capability Development Administration Officer sends an email directly to the person advising them of the need to complete this mandatory training module and also advising that the person's direct manager will be contacted if it is not completed. An extract from the online staff induction package is provided as an annexure to this report.

22.2. The PTV online staff induction module covers an overview of:

- PTV's Purpose;
- PTV's Strategic Intent and Vision;
- PTV's Strategy Overview;
- PTV's Strategic Theme;
- PTV's Values;
- the role of the PTV Board;
- the role of the Minister for Public Transport;
- PTV's organisational structure;
- an overview of the PTV Divisions and Directors;
- an overview of staff work plans and learning and development processes;
- PTV behavioural expectations and key policies and procedures staff are required to adhere to;
- dealing with the media;
- PTV's discrimination, harassment and bullying policy;
- workplace security;
- information security;

- safety at PTV;
- risk management;
- the enterprise agreement;
- PTV delegations;
- PTV's corporate style;
- PTV's employee assistance program;
- facilities;
- staff benefits;
- PTV procurement;
- pay and leave; and
- fraud and corruption prevention.

22.3. The Fraud and Corruption Prevention section of the module provides links to the online Fraud and Corruption Control Plan (Policies and Procedures) and online Code of Conduct for Victorian Public Sector Employees and the section includes the following information:

*"PTV is committed to maintaining high standards of ethical conduct but recognises that fraud or corruption can occur even in organisations that aim for high standards of legal, ethical and moral behaviour.*

*PTV requires all board members, directors, managers, employees, contractors, consultants and other relevant third parties to act honestly, with integrity and to safeguard the public resources for which they and PTV are responsible.*

*PTV does not tolerate fraudulent or corrupt conduct under any circumstances and any fraudulent or corrupt conduct will be investigated and reported as appropriate.*

*You must be familiar with the Fraud and Corruption Plan and the Code of Conduct for Victorian Public Sector Employees.*

*The following reporting channels are available to all PTV staff should a suspicion or event surrounding fraud and corruption arise.*

*Any PTV person who wishes to make a disclosure of corrupt or improper conduct engaged in by PTV and/or its employees, should make such disclosure directly to the Independent Broad Based Anti-Corruption Commission (IBAC). In essence, where such a disclosure is made in accordance with the Protected Disclosures Act, that person will be afforded protection from reprisals by the relevant public body or any officer, member or employee of that public body (protected disclosure).*

*Reports of information that are not protected disclosures may be made to the following:*

- *the Director - Finance*
- *the Director - Governance and Legal*
- *the Board of Directors, if the allegation involves senior management*

*For more information on protected disclosures and for the contact details for IBAC please click here to go to the Protected Disclosure Act page under policies and procedures on the PTV intranet."*

22.4. A broader PTV staff induction package has been updated to include fraud and

corruption information, details of PTV's internal reporting channels, information regarding the protected disclosure regime, and information regarding PTV's expectations as to roles and responsibilities. The program is run every six weeks, and is delivered to all staff who have joined PTV since March 2014. It includes a unit on ethics and fraud awareness.

23. ***Targeted Training and Education – Annual program of fraud and corruption training***

PTV has developed a fraud and corruption training package to be delivered annually to PTV staff members.

24. ***Targeted Training and Education – Contract Management training and Supplier Management training***

24.1. PTV Learning & Development branch arranged for training of selected PTV staff in contract management and supplier management.

24.2. Contract management training was provided by an expert provider in February 2015 to 38 PTV employees. The employees were identified by the HR Division 'Business Partners' in consultation with managers in various PTV Divisions, and also by reference to specific requirements contained in the employees' work-plans.

24.3. The training content included: formation of contract; contract issues in tendering; key parts of contracts; contract negotiation issues (liabilities, indemnity, warranties, insurance); flexibility in contracts; contracts and legal risks; and breach and termination of contracts.

24.4. Two other PTV staff members were provided with offsite contract related training during February 2015 on the topics of 'preparing scopes of work and specifications'; and 'contract management fundamentals'.

25. ***Foster and promote a culture where employees actively safeguard the public purse***

25.1. All existing PTV staff have been required to provide a conflict of interest declaration, and the new starter package for the on-boarding of new employees contains a declaration that the new employee must complete.

25.2. PTV now procures police checks for selected new and existing PTV staff who are in a role which has a financial delegation or is involved in procurement.

25.3. PTV has implemented regular 'refresher' compliance training, including face to face fraud awareness training delivered by the PTV finance/fraud team. The package also includes a suite of online modules, including manager responsibility awareness, conflict of interest awareness, and fraud and corruption awareness. The program was rolled out in the first half of 2015.

25.4. PTV has delivered a Management Training Program to relevant PTV staff members in early 2015.



26. ***PTV staff to look for and highlight conduct which may reveal conflict of interest, favouritism, etcetera, and not to ignore signs of irregular conduct***

26.1. PTV's fraud and corruption training program has educated staff on how to spot, report, and deal with any potential corruption.

26.2. PTV has also developed an analysis tool containing fraud and corruption lead indicators. Potential indicators of possible fraud or corruption include:

- a. excessive employee annual leave balances and frequency of annual leave requests;
- b. Contract Approval Report Extensions;
- c. number of repeat vendors and suppliers including data analysis of high spend levels;
- d. number of staff who have not received fraud and corruption awareness training;
- e. number of reported thefts and losses;
- f. review of reported gifts, benefits and hospitality;
- g. number of customer or supplier complaints ;
- h. number of HR employee disciplinary events, complaints or formal warnings;
- i. review of employee work hours including building access;
- j. reported data and privacy breaches;
- k. review of employee payroll data, duplicates addresses and financial data.

27. ***Having a primary focus on accountability and good governance (with all projects)***

PTV has implemented a new fraud detection policy which has served as a template for reform of PTV's management and accountability structures.

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## **PART 6 - SOME GENERAL IBAC FINDINGS AND OBSERVATIONS**

28. ***What is PTV doing about other issues identified by IBAC?***

In various places throughout this report reference has been made to more specific findings made by IBAC and to the programs implemented (or being implemented) by PTV to address those findings. In this section, reference is made to findings and observations that IBAC made of a more general nature, together with a description of the actions PTV has made (or will make) to address those issues.

28.1. *[DOT and PTV favoured timely outcomes above compliance with procurement*

*process']*

*['procurement policy was generally not supported by management']*

*['management lacked accountability and deficiencies in procurement processes were highlighted to senior management as at 30 April 2012']*

*['the structure within the divisions at DOT and PTV precluded visibility of non-compliance with procurement processes across W's division (and others) so that corrupt conduct could be contained and covered up']*

*['Indeed, it seems that positive steps were taken to dilute DOT's ability to identify corrupt practices. In the third quarter of 2012, the procurement team secured the support of the risk management group to add to the DOT risk register that fraud and corruption was a strategic risk to the organisation.']*

PTV Response: PTV has taken the following actions to address these issues:

- a. PTV has embraced an anti-fraud culture which is supported by the CEO and Management;
- b. a Fraud and Corruption Control Officer (FCCO) has been nominated;
- c. PTV has developed its Fraud and Corruption Control Framework in line with best practice Australian Standard AS 8001 (2008) Fraud and Corruption Control;
- d. the PTV Fraud and Corruption Control Plan (Policy and Procedure) has been finalised and approved by the CEO;
- e. a Fraud and Corruption Response Team (FCRT) has been established consisting of Executive Level representation to respond to and investigate instances or alleged instances of fraud and corruption;
- f. a Fraud and Corruption Response Procedure has been developed;
- g. PTV has delivered Fraud and Corruption Training to all staff and is committed to continue to provide annual training for staff;
- h. in May 2014, a Fraud and Corruption Risk assessment was performed by Ernst & Young;
- i. Fraud and Corruption Risks identified through this risk assessment process were distributed to the PTV Risk Management Team for inclusion in the PTV Risk Register;
- j. PTV plans to perform a follow up fraud and corruption risk assessment process in 2015. This risk assessment is an update and refresher in light of actions implemented after the use of the Operation Fitzroy Report. PTV is currently in the process of sourcing a service provider to perform this work as part of the Fraud Training Program for 2015.

- 28.2. *['(in the context of a number of non-compliances with procurement rules identified by IBAC) It would seem that there was no internal analysis of the problem to understand the reason for repetitive instances of non-compliance, apparently*

*because neither DOT nor PTV had the resources to allow for monitoring and capturing of information to support any investigation. In that context Mr Wild, having reviewed the evidence, sought to assure IBAC that: 'I make a clear and unambiguous commitment to pursue and deliver that cultural change and, above all, signs of irregular conduct cannot simply be ignored, nor can they be dealt with by senior officers doing no more than asking questions of the persons responsible and then seeking no independent verification.' Furthermore, in admitting that irregular conduct must be looked for and highlighted and that this will require a proactive approach, Mr Wild said: 'DOT staff previously did not see it as their job to pursue patterns of irregular conduct. They were not encouraged to do so, they were not resourced to do so. That must now change.'*

PTV has taken considerable steps to address these issues, including the procurement reforms, training, comprehensive audit controls, and cultural reforms referred to in various parts of this report. PTV's programs are designed to continually review and where necessary improve these processes, and to provide PTV staff with ongoing encouragement and support in being aware of their obligations, and their responsibility to report any suspect behaviour.

28.3. *['Poor contract management']*

*['Evidence provided shows DOT and PTV paid little attention to projects once a tender process was finished and a contract awarded. In this case, poor contract management, including inadequate performance monitoring, clearly contributed to corruption going undetected.']*

PTV's reformed procurement processes, and project scoping and management training will address these issues.

28.4. *['Lack of due diligence']*

*['Due diligence was not conducted on suppliers being awarded contracts.']*

PTV's due diligence, audit, and reporting processes are designed to address this.

28.5. *['Limited training and expertise']*

*['It is clear many employees with procurement responsibilities at DOT and PTV did not have relevant training, experience or adequate technical knowledge about the goods or services being procured.']*

PTV now has a well-resourced and well-trained procurement team, and rigorous processes designed to ensure that the right expertise is provided to contract managers across PTV. In addition, PTV staff across the business have received training in procurement policy and process, and targeted contract principles and practices training.

28.6. *['Poor management of conflicts of interest']*

PTV now pays considerable attention to any real or potential conflicts of interest, and has robust processes designed to audit and identify if there are any such



conflicts, including a comprehensive "conflicts of interest" employee declaration, strengthened training, and clear reporting processes.

28.7. *[Inadequate management of procurement staff]*

*[Poorly trained managers contributed to corruption risks in DOT and PTV. In this case, lack of managerial expertise resulted in inadequate supervision and checks on staff activities and in failing to recognise 'red flags'. In turn, these resulted in improper, noncompliant and corrupt behaviour going undetected.]*

The appointment by PTV of a Chief Procurement Officer, and the various reforms that PTV has made to procurement related activities, is designed to ensure that these issues are addressed.

28.8. *[Tight time-frames]*

*[The imposition of tight timeframes and a culture of expediency created corruption risks related to procurement planning, compliance and scrutiny of decisions. The end result was systemic non-compliance with procurement policies and procedures.]*

PTV continues to carry a heavy project workload, however it is in the process of developing a project prioritisation tool to assist it to manage its tight timeframes. Regardless of this heavy workload, and regardless of any tight timeframes, PTV will not compromise its efforts in implementing (and ongoing management) of proper procurement processes, due diligence, and staff culture. This has been the subject of extensive briefings and discussions by the CEO and Executive team.

28.9. *[IBAC notes, in particular, that as part of this program PTV will need to consider the establishment of appropriate:*

- processes for employees and contractors to raise concerns (potential and actual) about procurement misconduct and corruption, and that these processes are effectively promulgated (in an ongoing manner and not as just one-off activities*
- controls over sub-contracting arrangements, and that integrity and other risks associated with subcontracting are effectively identified and managed')*

PTV takes this very seriously, and believes that it has taken significant present and ongoing steps to ensure that the conduct of any procurement by PTV will be to the highest standards, will be appropriately audited, and that PTV staff will be encouraged to be diligent in their observations of fellow staff members' procurement activities, and will be fully supported when reporting any suspect behaviour.

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## PART 7 - OTHER PTV ACTIONS

### 29. **Infrastructure Audit**

29.1. In July 2014 PTV engaged a specialist contractor to conduct an extensive audit of a

broad range of bus stop infrastructure, particularly in regional Victoria, much of which had been constructed under contracts between PTV and entities that were implicated in corrupt conduct in the IBAC hearings.

- 29.2. As a result of the audit, PTV was advised by the auditor of the infrastructure that (apart from some defects, and ordinary fair wear and tear) all of the infrastructure was present and built to appropriate standards.

30. **Bus Infrastructure procurement processes**

- 30.1. Two PTV Divisions, Performance & Contract Management Division and Asset & Project Management Division, have been developing systems designed to provide a more rigorous process for identifying the need for, and implementing the creation of, bus infrastructure.
- 30.2. Procedures and processes associated with the procurement of infrastructure works have been significantly tightened to ensure there are more detailed specifications and works inspections conducted during and at the completion of construction. To ensure works have been completed to a satisfactory standard, far more stringent project management disciplines have been implemented.
- 30.3. The Bus Stop Works Initiation Process defines the procedure to determine the scope of the requirements for the construction of new and/or upgrading of an existing bus stop infrastructure.
- 30.4. The process describes the roles and responsibilities under four main areas across PTV Divisions thus separating the approval and authorisation accountability. In summary, the process and substantive outcomes are as follows:
- a. Works Initiation (Performance & Contract Management – Bus Operations Team)  
Comprising a description of the activities involved in analysing the request, identifying the risk and approval by the Bus Operations Manager before forwarding to the Bus Infrastructure Team for detailed scoping.
  - b. Review and Endorse the Works Initiation (Bus Infrastructure Team)  
Comprising an outline of the activities by the Bus Infrastructure Team to review and expand the scope (if required), estimate the funding, procurement model, time frame for completion, endorsement of the request by the Bus Infrastructure Manager and then forward to the Panel for approval.
  - c. Approval by the Panel (P&CM - Bus Operations Team, P&CM - Corporate Controller & Procurement Team)  
This panel consists of four members (Manager Bus Operations, P&CM Corporate Controller, Procurement team member and GM Bus Operations and Business Improvement) so as to avoid any conflict of interest in the approval and authorisation process.

The process results in an output that sets out and leads to the activities involved in the final approval of the works initiation request. The P&CM Financial Controller verifies the availability of the funds and endorses the

budget. The request is then forwarded to the Panel for agreement at which time the completed document is approved by all members (the financial delegate being the GM Bus Operations and Business Improvement) and approves for the works to be undertaken in-line with the budget allocated.

- d. Procurement and Delivery (Bus Infrastructure Team)  
On being approved by the Panel, the process flows to the next phase of procurement and delivery of the request by the Bus Infrastructure Team.

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## IBAC RECOMMENDATION 2

*"DTPLI and PTV take appropriate steps towards excluding third persons and entities whose behaviour has been found to be improper or corrupt from obtaining contract work in the future."*

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## PART 8 – PTV RESPONSE TO RECOMMENDATION 2

### 31. ***Exclusion of third persons and entities from contract work – suspension and termination of contracts***

PTV has taken appropriate steps with respect to a number of contracts that it was a party to, and has previously advised IBAC as to what those steps were.

### 32. ***Exclusion of third persons and entities from contract work - future contracts***

32.1. PTV has taken appropriate steps to ensure that it does not let contracts to various parties, and has previously advised IBAC as to what those steps were.

32.2. PTV has also brought the attention of other stakeholders working within the transport portfolio (both government and private) to the IBAC findings.

32.3. Any implicated entity that was registered in PTV's contract management system was de-activated in the system to minimise any chance of a further procurement. Procurement and Accounts Payable branches routinely conduct reviews to ensure that the entities are not contracted by PTV.

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## **ANNEXURE 1**

### **PTV PROCUREMENT POLICY (REDACTED)**







# PTV Procurement Policy

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## Document Information

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# PTV Procurement Policy

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## Summary

This document defines procurement at Public Transport Victoria (PTV) in terms of overall objectives, guiding principles, and roles and responsibilities. It also sets out the associated procedures to be applied.

This policy document describes the scope, procurement framework, fundamental principles, and governance applicable to all PTV Procurement activities.

The PTV Procurement Policy ('the Policy') is based on the Victorian Government Purchasing Board (VGPB) guidelines.

## Scope

The Policy applies to the procurement of all goods, works and services across all PTV. It will be refreshed regularly to ensure currency and consistency with Victorian Government policies, and monitor organisation-wide application.

Authorised employees include all full time or part time employees where their financial delegated authority confers certain approvals to purchase, order, provide, and manage goods, works and services for and on behalf of PTV.

Employees who are not authorised employees (labour hire resources, contractors and consultants) are not permitted to procure goods, works and services for or on behalf of PTV. For instance, labour hire resources, contractors and consultants are not authorised to procure on behalf of PTV.

## Contacts

For further information on the Policy please contact Procurement either through email: [ptv.procurement@ptv.vic.gov.au](mailto:ptv.procurement@ptv.vic.gov.au) (see PTV Procurement intranet for administrative contact) or through direct contact with the Procurement team (contact details available through PTV Intranet).

<http://ptvintranet/business-support/procurement/Pages/default.aspx>.

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# 1. Principles

## 1.1 Vision

The primary object of PTV under the *Transport Integration Act 2010* is to plan, coordinate, provide, operate and maintain a safe, punctual, reliable and clean public transport system consistent with the vision statement and transport system objectives contained in this Act.

PTV's core functions include:

- managing the public transport network in a way which strives to achieve the highest levels of safety and service delivery;
- acting as the public face of the public transport network and an advocate for public transport users;
- interacting directly with customers through the PTV customer contact centre, PTV Hubs and information technology platforms;
- managing ongoing improvements to the network, through new rolling stock, signalling and infrastructure projects;
- growing patronage and planning for the public transport needs of future generations; and
- ensuring that valuable public funds are spent prudently and efficiently.

With the customer central to our vision as an organisation, PTV's corporate vision is:

*To provide a public transport service Victorians value and choose to use.*

Fully aligned to this, the PTV Procurement Vision is to:

*'Achieve strategic procurement outcomes for PTV through the application of effective sourcing and 'go to market' initiatives designed to deliver value added outcomes aligned with PTV business objectives.'*

## 1.2 Mission

PTV Procurement's mission is:

*'To provide the PTV organisation with a strategic procurement capability, consistent with government procurement objectives, leveraging commercial best practice for the procurement of goods, works and services.'*

## 1.3 Purpose

The purpose of the Policy is to define the core objectives for PTV Procurement and the supporting governance framework. The Policy is intended to:

- ensure there is a consistent approach to procurement across PTV that reflects good probity practice;

- provide a clearly defined procurement process that is fully aligned to business needs, and is consistent across PTV's business units; and
- establish clear business accountabilities for procurement activity.

## 1.4 PTV Procurement Objectives

The key objectives for the procurement of goods, works and services at PTV include being able to:

- achieve Value for Money (VFM) for both financial and non-financial business benefits;
- encourage sustainable competition;
- demonstrate probity, ethical behaviour, and accountability;
- make efficient and effective use of resources;
- allow early management and mitigation of risk;
- manage environmental and Occupational Health and Safety (OH&S) considerations;
- promote corporate social responsibility; and
- compliance with PTV and government objectives.

## 1.5 PTV Procurement and Business Roles and Responsibilities

Appendix A provides a summary of Procurement and business roles and responsibilities as they relate to procurement activities.

## 1.6 Statutory Requirements

Standing Direction 3.4.5 of the Minister for Finance under the *Financial Management Act 1994* requires PTV to implement and maintain an effective internal control framework over the procurement of goods, works and services to ensure that procurements are authorised in accordance with business needs and the Policy and Procurement Procedures Manual ('the Manual').

In addition, Standing Direction 3.4.6 requires that expenditure transaction processing and management is to be appropriately authorised and incurred in accordance with business needs and captured in the financial records.

As a public statutory authority, PTV is also bound by the *Project Development and Construction Management Act 1994* which facilitates government development projects in Victoria and provides for the responsible Minister to set standards and issue written directions in relation to public construction. In accordance with this Act, 'public construction' means any matter relating to the construction, maintenance, rehabilitation, alteration, extension or demolition of any improvements on land by, or on behalf of, departments or public bodies and includes:

- a. design and construction practices;
- b. tendering processes;
- c. project delivery; and
- d. contract administration.

## **1.7 Procedural framework**

The PTV Procurement framework is detailed through a hierarchy of documents – the Policy, and the Manual.

The Policy defines the guiding principles, objectives, desired outcomes and governance structure relating to PTV's procurement activities. Appendix D sets out the procurement process.

The Manual provides further details on PTV's minimum standards for the procurement of goods, works and services.



## 2. Procurement Objectives

As noted in paragraph 1.4, PTV must consider and achieve the following objectives.

### 2.1 Value for Money (VFM)

The delivery of VFM outcomes must be a consideration in all procurement actions. VFM means achievement of the lowest whole of life costs consistent with the PTV Procurement vision, mission, core objectives and desired business outcomes.

VFM includes both financial and non-financial outcomes and is to be determined by taking into account factors such as:

- fitness for purpose;
- potential supplier's experience and performance history;
- flexibility (including innovation and adaptability over the lifecycle of the procurement);
- environmental sustainability (such as energy efficiency and environmental impact); and
- whole-of-life costs.

VFM is achieved by:

- encouraging competitive and non-discriminatory processes;
- fully engaging with all relevant stakeholders;
- using PTV resources in an efficient, effective, economical and ethical manner consistent with the VGPPB policies;
- making decisions in an accountable and transparent manner; and
- conducting a process commensurate with the scale and scope of the procurement.

### 2.2 Encourage sustainable competition

Attraction of the best and most capable companies to supply PTV is encouraged through activities such as advanced supply planning, supply market analysis, clear and transparent market test processes, appropriate allocation of business resources, local / regional supplier development, industry communications, and probity and professional procurement action.

### 2.3 Demonstrate probity, ethical behaviour, and accountability

PTV staff must at all times:

- conduct themselves in ways that are ethical and of the highest integrity;
- adopt appropriate and competitive processes with clear selection criteria;
- treat potential and existing suppliers with equality and fairness;
- not seek or receive personal gain;
- present the highest standards of professionalism and probity;
- ensure probity plans are used and applied where appropriate (in consultation with Procurement). At a minimum, all high value high risk projects should have a probity plan; and
- deal with suppliers in an honest and impartial manner that does not allow conflicts of interest.

### **Conflicts of Interest**

PTV staff must at all times avoid situations in which private interests conflict, or might reasonably be thought to or perceived to conflict, or have the potential to conflict, with their duties.

PTV staff involved in the procurement process must:

- avoid conflicts, whether actual, potential or perceived;
- declare that there is no conflict of interest in procurement in which they are involved; and
- observe prevailing PTV guidelines in accordance with the PTV's Conflict of Interest policy.

For all procurement activities a 'Conflict of Interest' declaration (available through PTV Intranet) must be signed by individuals prior to participating in the formal evaluation of a tender/multiple quotations.

### **Gifts and Hospitality**

PTV staff must exercise the utmost discretion in accepting hospitality from contractors or their representatives, or from organisations, firms or individuals with whom they have official dealings.

PTV staff must refuse all offers of gifts, benefits or hospitality from people or organisations about whom they are likely to make decisions involving and tender processes and procurement activities.

PTV staff involved in the procurement process must comply with PTV's Gifts, Benefits and Hospitality policy available through PTV Intranet. In addition, they must comply with the Code of Conduct for Victorian Public Sector Employees in relation to integrity, also available through PTV Intranet.

## **2.4 Make efficient and effective use of resources**

Achievement of effective and efficient business outcomes will require:

- selection of a procurement process that is commensurate with the scale, complexity, and scope of the procurement; and
- provision of professional support, clear guidance and robust tools and templates to all staff engaged in procurement.

## **2.5 Mitigate risk**

Procurement decisions are to be fact based, taking account of current and forecast market conditions, potential risks including financial, contractual, regulatory, relationship, supply, and quality risks.

A key consideration of all procurement action is the mitigation or transfer of risks arising from all areas of the business, and across the lifecycle of procurement.



## **2.6 Manage environmental and OH&S considerations**

Delivery of good practice environmental and OH&S outcomes is integral to all PTV Procurement actions.

For environmental outcomes, this would include an understanding of suppliers' environmental management policies, including reference to environmental and sustainability policies.

For OH&S outcomes, this would include an understanding of suppliers' OH&S policies and management systems in place for both employees and contractors / sub-contractors, whether they have OH&S certification, and performance in relation to OH&S statistics.

## **2.7 Promote corporate social responsibility**

All procurement activities must promote socially responsible business practices and reinforce PTV as a good corporate citizen.

## **2.8 Compliance with government objective and policy**

Compliance with government objective and policy is a requirement for all authorised employees – for example ensuring that procurement activities are consistent with applicable government directions and policies, such as the Ministerial Directions and compliance with the Code of Conduct for Victorian Public Sector Employees.



### 3. Governance

Procurement conducted by PTV staff must be in accordance with the procurement objectives as described in paragraph 1.4 of this policy.

#### 3.1 Procurement Complexity Assessment

All procurement activities are assessed in collaboration with the business against a complexity framework. The outcome of the complexity assessment will determine the level of PTV Procurement involvement. The complexity assessment looks at the particular goods, works or services being procured and considers the following questions:

- Is this a one-off purchase and how complex is it (simple procurement or something critical to business operations)?
- What is the risk associated with the purchase?
- Are current business requirements being met?
- What is the value?
- How many suppliers can provide the goods, works or services?

Figure 1 summarises the procurement approach for 'Transactional' (which are all purchases under \$25,000 GST inclusive) and 'Advanced Procurement', noting that the greater the complexity, the more involvement from PTV Procurement.

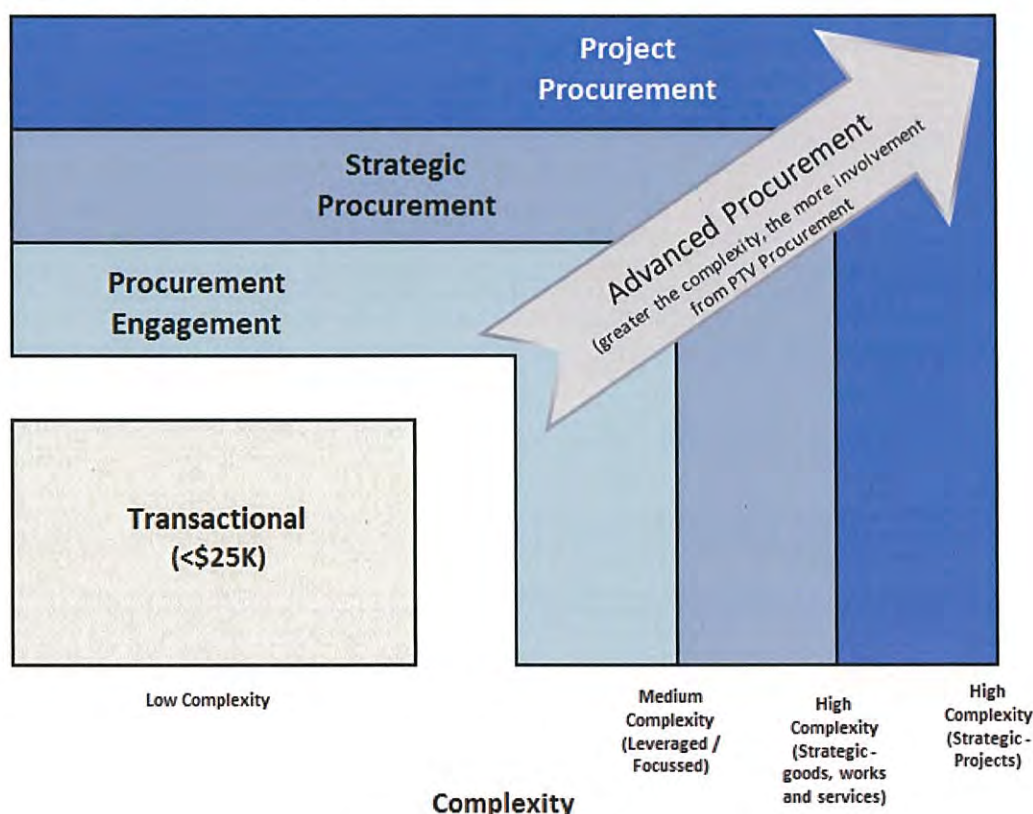


Figure 1 – PTV Procurement Approaches

After the completion of High Complexity (Strategic Projects) procurements, the Contract Manager must complete a lessons learned document, detailing both positive and negative learnings, for the benefit of the business and to assist with future procurement activities.

Figure 2 provides more detail on the complexity quadrants and the typical characteristics for each of the complexity quadrants. For example, a large customer focused project would be classified as 'Strategic' and would require key PTV Procurement involvement from the start of any proposed procurement activity. Note that for simplicity, aside from 'Transactional', the other quadrants are all termed 'Advanced Procurement'.

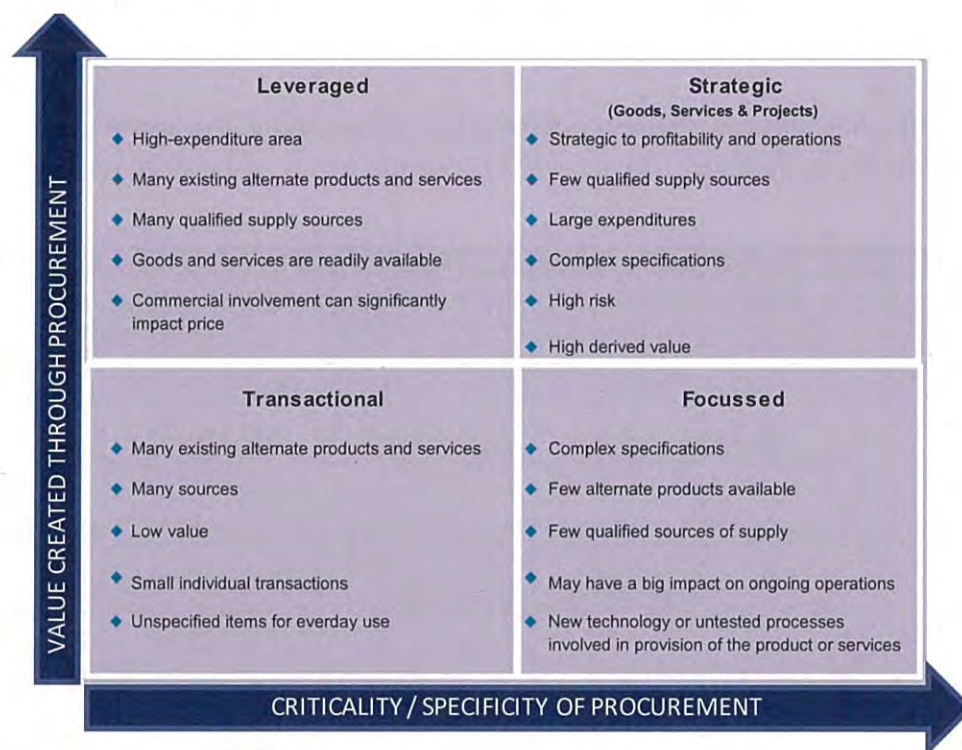


Figure 2 – Complexity Quadrant Matrix

## 3.2 Procurement Approach

The procurement approach to purchase goods, works and services is based on the complexity of the procurement activity. These are split between 'Transactional' (under \$25,000 GST inclusive) and 'Advanced Procurement', with 'Transactional' procurement requiring no mandated endorsement / involvement from PTV Procurement.

After consideration of what goods, works and services need to be procured the business considers the elements as part of a checklist to determine the complexity of the procurement and the involvement of PTV Procurement:

1. Does this type of procurement fall under an 'Exemption list'? (If so the Policy does not apply).
2. What services will the procurement purchase ('Labour hire', consultancy, civil/public construction works, or goods and services)?



3. Does this procurement fall under \$25,000 (GST inclusive)?
4. Can the good or service be purchased from a State Purchase Contract (SPC), a Panel Contract, or an existing agreement in place?

SPC's/Panel Contracts have their own rules. These contracts have been established by PTV, Department of Economic Development, Jobs, Transport Infrastructure and Resources or whole of Victorian Government (through Departments of Treasury and Finance, Justice and Regulation and Premier and Cabinet). Please speak to the Procurement team if you are unsure of the rules for the specific panel that is proposed to be sourced from.

Refer Appendix B for further detail on procurement approach – for example listing of exemption items from the Policy.

Table 1 details the different activity types, the internal consultation required to begin the procurement activity, the documentation required to begin the activity, and market quotations required.

Purchasing Activity	Business Initiative		Policy Outcomes				
	Is the activity less than \$25,000? (GST inc)	Is there an established panel?	Require Procurement involvement?	Require HR approval ?	Complete Approval to Procure Form?	Quotes Required	Complete Recommendation to Award?
'Labour hire'	Yes	Yes	No	Yes	No	As per panel	No
		No	No	Yes	No	Minimum 2 quotes*	No
	No	Yes	No	Yes	No	As per panel	No
		No	Yes	Yes	Yes	Consult Procurement	Yes
Consultants	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes
Civil/Public Construction Works <sup>#</sup> , and Goods & Services	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes

Table 1 - Procurement Policy Outcomes

\*In the scenario where there is only one suitable or capable vendor in the market, the business may get a quote from only one vendor. The business must justify their decision and document their market research (these business records may be called on for audit purposes).

# Civil/Public Construction Works are bound by the *Project Development and Construction Management Act 1994*. This Act does not apply to facilities maintenance and management works, signage, installation and branding works. However, procurement of these services must comply with the Procurement Policy.

Purchase Order tracking and reporting by PTV Procurement for activities less than \$25,000 (GST inclusive) will highlight the same vendor being used multiple times.



### 3.3 Procurement Governance

Procurement is conducted in accordance with this policy to ensure adherence to PTV's business objectives and required probity framework. This does not replace or duplicate financial delegation requirements; for these requirements refer to 'PTV delegations and authorisations' on the PTV Intranet.

The governance applied to each of the procurement approaches is shown in Table 2.

Procurement Approach	Procurement Process Governance Approval	Financial Approval
'Transactional' (<\$25K)	financial delegate	financial delegate
Medium Complexity	Chief Procurement Officer (CPO) or Procurement team member	financial delegate
High Complexity (Strategic)	CPO	financial delegate
High Complexity (Projects)	Commercial Director / CPO	financial delegate

Table 2 - Procurement Governance Approach

All 'Transactional' procurement activities i.e. all procurements under \$25K, are conducted by each division and does not require PTV Procurement endorsement. For all other procurement activities (>\$25K) PTV Procurement will work with business units to conduct a complexity assessment to determine the level of PTV Procurement involvement. This allows PTV Procurement to lead and support strategic and project specific (higher risk) procurements, whilst providing advice and guidance to other 'Advanced' procurement (less risk/complex) activities.

The level of support provided by PTV Procurement will vary depending on:

- the risk and complexity of the procurement activity;
- the procurement skills and capability of each business unit; and
- the availability of PTV Procurement members to support or lead a specific procurement activity.

Business specific support requirements should be agreed in advance with the CPO or Commercial Director.

### 3.4 Compliance

All employees undertaking any procurement activity are responsible for complying with the Policy. In addition, all employees must comply with any specific obligations imposed under their contracts of employment, other PTV policies, procedures and directives issued from time to time and any other relevant legislative requirements.

All executives, managers and supervisors are accountable for compliance (or non-compliance) with the Policy within their area of responsibility. Compliance with the Policy and the Manual will be monitored, reviewed, and managed using appropriate audit, risk and HR procedures.

All PTV staff must ensure that there is a valid contract/terms of contract that details the rights and obligations of the parties in relation to the procurement activity.

Contract Managers are fully accountable for managing operational contract performance and expenditure and ensuring contract spend do not exceed the original approved financial amount.

## Appendix A – PTV Procurement and Business Roles and Responsibilities

### Chief Procurement Officer (CPO)

The CPO is responsible for the operation of PTV Procurement. Additional key responsibilities of the CPO include:

- lead and monitor the delivery PTV's Procurement strategy and governance framework aligned to the organisation's business objectives;
- provide leadership, direction, advice and development opportunities for the management of third party spend across PTV to achieve benefits and savings;
- review, challenge and provide formal sign-off on project related procurement strategy;
- raise the awareness and strategic value of procurement best practice across PTV; and
- provide direction on the methodology of identification, management, and mitigation of risk in procurement activities.

### PTV Procurement Team

The key responsibilities of the PTV Procurement team include:

- provide leadership, direction, advice and development opportunities for allocated spend focus areas or projects to achieve benefits and savings;
- engage with the organisation to understand and define medium to long term procurement needs across spend focus areas;
- proactive use of data analysis tools to identify opportunities to aggregate expenditure driving better commercial outcomes;
- conduct market research to identify suppliers, products, and innovative solutions;
- recommend a 'go to market' strategy based on research and understanding to deliver the best value for money outcomes; and
- identify, manage, and mitigate risk in procurement activities.

Note, the PTV Procurement team does not create business specifications or scopes, obtain approvals from financial delegates, or conduct contract management activities.

### Financial Delegate

The financial delegate is located in the business and has the authority to incur expenditure on behalf of PTV. The key responsibilities of the financial delegate include:

- approve Procurements that are classified as both 'Transactional', and 'Advanced Procurement' (including that there is sufficient budget for the financial commitments), as proposed by the Contract Manager / Project Manager;
- work closely with the CPO and PTV Procurement, as required; and
- review the Procurement needs identified and tasks to be performed for the business unit.



### **Contract Manager**

The Contract Manager is responsible for the ongoing management of the contract once it has been awarded, and is located in the business. The key responsibilities of the Contract Manager include:

- implement and support identified value for money and continuous improvement initiatives, ensuring implementation is according to the terms of the contract;
- resolve operational issues raised by business users and suppliers;
- monitor supplier performance, raise purchase orders, confirm receipt of goods, works and services and that they have been delivered in accordance with the terms of the contract, manage spend under the contract and ensure that commitments do not exceed approvals;
- conduct supplier performance during the contract and at the end of the contract;
- create a 'lessons learned' document for High Complexity (Strategic Projects) procurement activity; and
- conduct price reviews, if applicable.

### **Project Manager**

The Project Manager is located in the business and is the initiator of the procurement activity. The key responsibilities of the Project Manager include:

- creation of the business requirements, specification, and scope for the procurement activity;
- obtaining business approval for the procurement activity; and
- obtaining financial delegate approval for the awarding of the procurement activity (including contract signing).

## Appendix B – Procurement Approach detail

### Exemptions from the Policy

The following goods, works and services are exempt from the Policy requirement to obtain at least 2 offers (and to complete an 'Approval to Procure' form), however, current PTV policies/business rules apply in relation to paying suppliers (e.g. financial delegate approves purchase order / payment approval form), conflict of interest declarations, contract variations, and keeping business records:

- catering;
- conferences / professional memberships;
- daily rate parking voucher;
- donations;
- emergency management;
- operator agreements (e.g. franchisees – where existing arrangements apply);
- payments for utilities and telephones (mobile and fixed);
- personal expenses;
- purchase/sale of real estate;
- sponsorships;
- stationery and office products; and
- travel costs (including taxi).

Table 3 provides examples of procurement across 'Transactional' and other procurement types:

Procurement Approach			
What would you like to procure? (all figures are (GST inclusive))	Exemptions	Transactional *	Advanced Procurement
Attending work conference (\$800)	x		
Catering	x		
Web development services (\$5k)		x	
Stationery	x		
Event Management for PTV promotion (\$1k)		x	
Consulting Services for design work (\$60k)			x

Table 3 - Procurement approach examples

\*Note - requirement to obtain at least 2 offers.

### Procurement Approach additional detail

All 'Transactional' procurement under \$25,000 (GST inclusive) will still be subject to targeted audit checks, using a range of analytical tools. Copies of all offers (e.g. quotes) and associated paperwork must be fully retained by the business unit responsible for the procurement.

Monthly reporting will be presented to the PTV Executive and Directors. For example, PTV Procurement prepares monthly reports to PTV Directors containing information on all expenditure that has exceeded approvals, upcoming contract expiry, and recent contract awards. This enables PTV Procurement to specifically track instances of multiple contracts awarded under thresholds (order splitting). Additional internal reporting is conducted on use of financial delegations and compliance to policy, for example, 'Frequency of Supplier Engagement over 12 months'.

To ensure robust supplier validation, PTV Legal, Finance, and Procurement will be validating the suppliers via a software tool called 'Encompass'. Encompass allows users to conduct company and

other searches, as well as to create diagrams based on those searches which show linkages between companies, individuals, and assets.



## Appendix C – Labour Hire and Consultants Definition

### **‘Labour hire’**

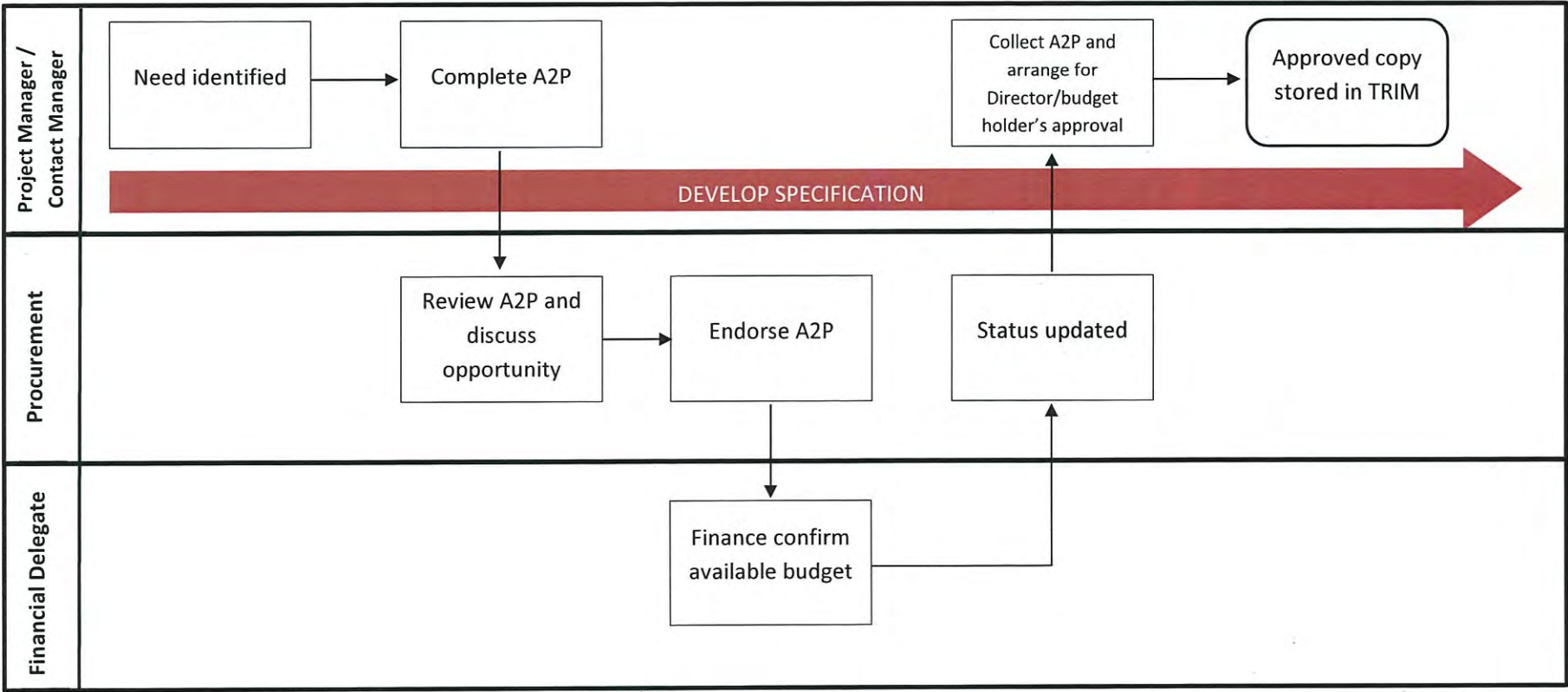
An individual operating alone or as part of a firm engaged for a defined or temporary period as a result of the need for professional expertise, where an internal workforce resource is not available. This includes an individual temporarily engaged through a Government panel contract (e.g. Hays, Randstad) as a temporary replacement for an existing staff member on leave, back-fill a vacancy or to provide additional short-term capacity to supplement an existing or additional function.

### **Consultants**

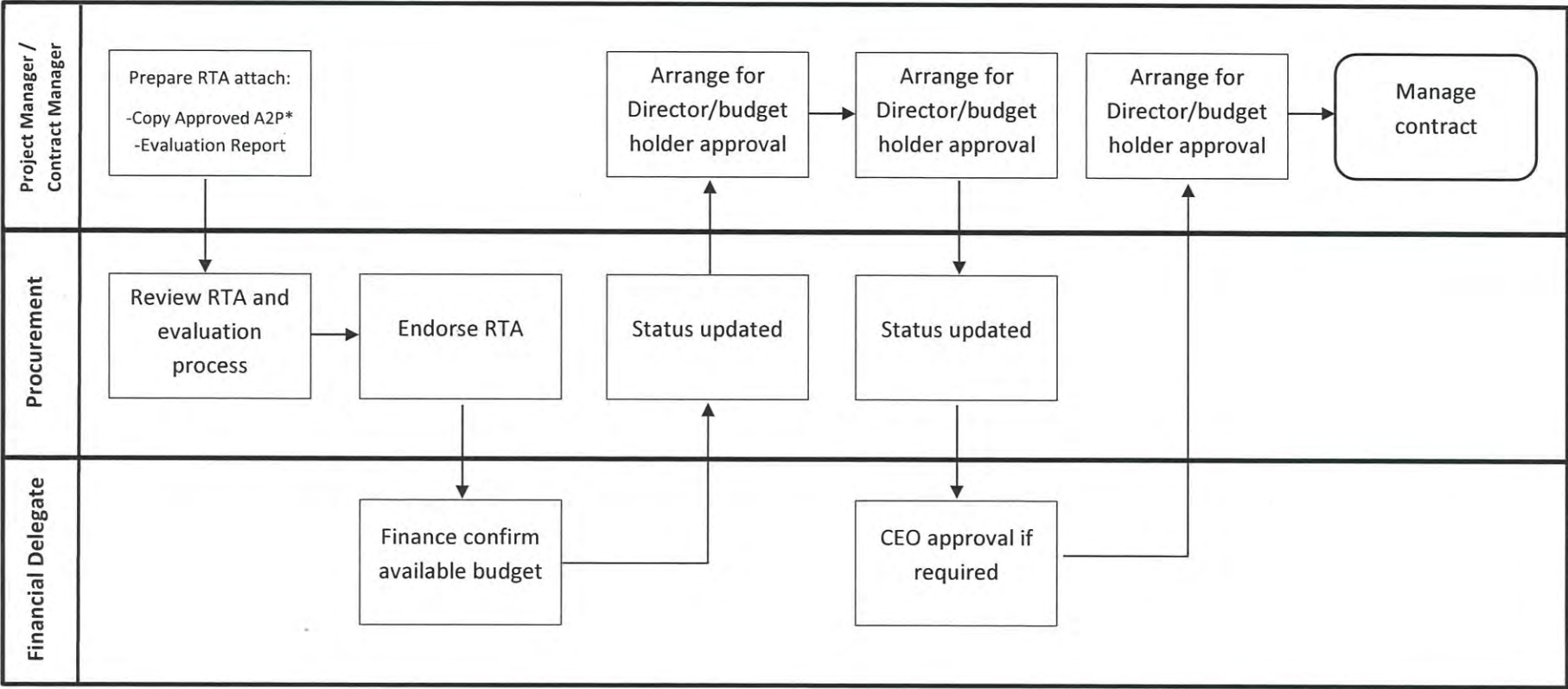
An individual engaged (individually or through a firm) primarily to perform a discrete task for PTV that facilitates decision making through the provision of expert advice and analysis and/or development of a written report, review, audit or other intellectual output.

Appendix D – Procurement process

Approval to Procure ('A2P')



Recommendation to Award ('RTA')



\*A2P = Approval to Procure





## **ANNEXURE 2**

### **PTV PROCUREMENT QUICK REFERENCE GUIDE (REDACTED)**







# PTV Procurement Quick Reference Guide

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## Document Information

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# 1. Quick reference guide

This Quick Reference Guide aims to provide an outline of the corporate policy and processes that are described in PTV's Procurement Policy and Procurement Procedures Manual. It does not summarise or refer to Divisional instructions as these are not organisation wide. The Procurement Procedures Manual should always be consulted for detailed instructions or clarifications outlined in this guide.

## 1.1. Fundamental principles of procurement

### PTV Objectives and Functions

All procurement activities will to be undertaken in the pursuit of PTV's corporate vision:

*To provide a public transport service Victorians value and choose to use.*

Fully aligned to this, the PTV Procurement Vision is to:

*'Achieve strategic procurement outcomes for PTV through the application of effective sourcing and 'go to market' initiatives designed to deliver value added outcomes aligned with PTV business objectives.'*

PTV Procurement's mission is:

*'To provide the PTV organisation with a strategic procurement capability, consistent with government procurement objectives, leveraging commercial best practice for the procurement of goods, works and services.'*

## 1.2. Minimum procurement requirement

The following goods, works and services are exempt from the Procurement Policy requirement to obtain at least 2 offers (and to complete an 'Approval to Procure' form); however, PTV policies/business rules apply in relation to paying suppliers (e.g. financial delegate approves purchase order / payment approval form), conflict of interest declarations, variations to contracts, and keeping business records:

- catering;
- conferences / professional memberships;
- daily rate parking voucher;
- donations;
- emergency management;
- operator agreements (e.g. franchisees – where existing arrangements apply);
- payments for utilities, stationery, telephones (mobile and fixed);
- personal expenses;
- purchase/sale of real estate;
- sponsorships;
- stationery and office products; and
- travel costs (including taxi).



If the activity is not on the exemptions list above, then the approach to procurement is dependant on the procurement's complexity. The complexity of the goods and services to be procured will determine the procurement process that will be used (classify either as 'Transactional' or 'Advanced Procurement')

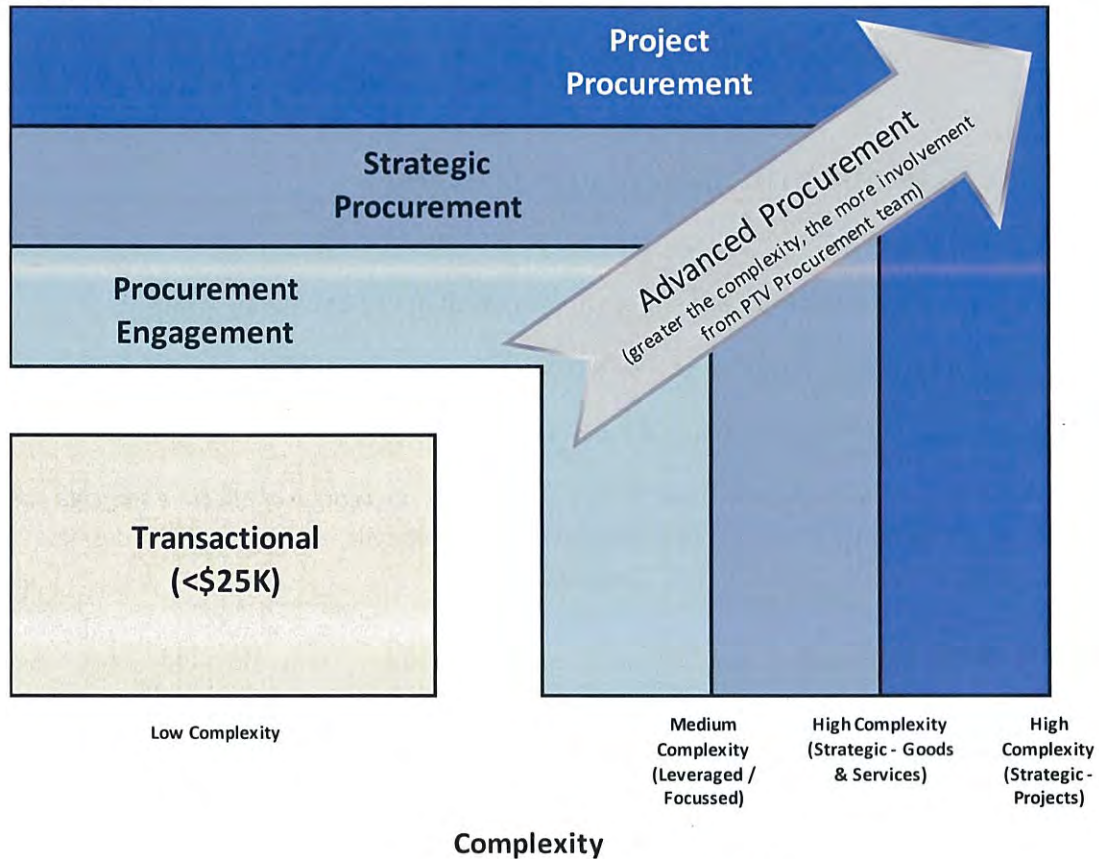


Figure 1 – PTV Procurement Approaches

The initial check on complexity is dependent on three questions:

- What is the activity?
- Is it less than \$25,000?
- Is there State Purchase Contract (SPC), a Panel Contract, or an existing agreement in place?

Assisting the decision making on the above this the PTV Procurement checklist, which is located on the Intranet:

#### Self Assessment Procurement Checklist

*What would you like to procure?*

*In order to assist you with your procurement requirements, please complete this self assessment checklist. If unclear, please contact your Procurement business partner in the first instance.*

Please select your response from dropdown box.

1	Does this type of procurement fall under an 'Exemption list'? (Refer to the <a href="#">Exemption List</a> )	No	
2	Does this activity fall under one of these categories?		
	Purchasing activity - Type of goods/services being purchased?		
	Is the activity estimated to cost <= \$25,000 (GST inc.)?		
	Is there a State Purchase Contract (SPC), a Panel Contract, or an existing agreement in place?		
	(Refer to the <a href="#">Definition table</a> )		



The answers to these questions detail the requirements of the procurement as below:

**Table 1 - Procurement Policy Outcomes**

Purchasing Activity	Business Initiative		Policy Outcomes				
	Is the activity less than \$25,000? (GST inc)	Is there an established panel?	Require Procurement involvement?	Require HR approval?	Complete Approval to Procure Form?	Quotes Required	Complete Recommendation to Award?
'Labour hire'	Yes	Yes	No	Yes	No	As per panel	No
		No	No	Yes	No	Minimum 2 quotes*	No
	No	Yes	No	Yes	No	As per panel	No
		No	Yes	Yes	Yes	Consult Procurement	Yes
Consultants	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes
Civil/Public Construction Works <sup>#</sup> , and Goods & Services	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes

\*In the scenario where there is only one suitable or capable vendor in the market, the business may get a quote from only one vendor. The business must justify their decision and document their market research (these business records may be called on for audit purposes).

# Civil/Public Construction Works are bound by the *Project Development and Construction Management Act 1994*. This Act does not apply to facilities maintenance and management works, signage, installation and branding works. However, procurement of these services must comply with the Procurement Policy.

#### **PTV Procurement Reporting**

- All 'Transactional' procurement under \$25,000 (GST inclusive) will be subject to targeted audit checks, using a range of analytical tools.
- Copies of all offers (e.g. quotes) and associated paperwork must be fully retained by the business unit responsible for the procurement.
- Monthly reporting will be presented to the PTV Executive and Directors. For example, PTV Procurement prepares monthly reports to PTV Directors containing information on all expenditure that has exceeded approvals, upcoming contract expiry, and recent contract awards.
- The reporting enables PTV Procurement to specifically track instances of multiple contracts awarded under thresholds (order splitting). Additional internal reporting is conducted on use of financial delegations and compliance to policy.
- To ensure robust supplier validation, PTV Legal, Finance, and Procurement will be validating the suppliers via a software tool called 'Encompass'. Encompass allows users to conduct company and other searches, as well as to create diagrams based on those searches which show linkages between companies, individuals, and assets.

## Use of Registers

Some suppliers may be included on a Government 'register'. The process of registration may not be as rigid as the process to become a panel supplier.

A procurement exercise involving an approach to suppliers on a 'register' must comply with the minimum procurement threshold requirements (refer Table 2 below).

**Table 2. Minimum procurement requirements**

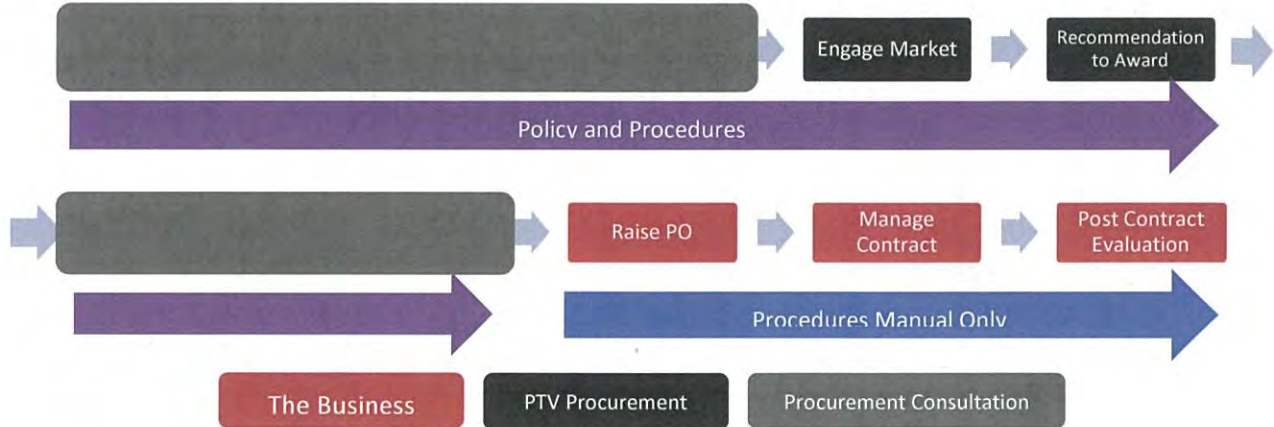
Policy requirement	'Transactional' (under \$25K GST inc)	'Advanced Procurement'
risk rating	low risk	medium - high risk
registration in Contract Management System (CMS)	not required*	required
approval documentation	In accordance with delegations (e.g. purchase order)	'Approval to Procure' form
endorsement of procurement process	business unit	PTV Procurement
number of offers to be obtained	minimum 2 or reason for not seeking minimum to be documented	as set out in procurement strategy
method of issue invitation and receive responses	no policy requirement but e-Tender recommended	e-Tender
evaluation panel (minimum)	1 officer	3 officers
documentation of outcome	record to be made and retained by business area	evaluation report and 'Recommendation to Award' form
'Recommendation to Award' form endorsed by:	'Recommendation to Award' form not required	Procurement
required approval	financial delegate	

\* CMS is required regardless of spend when consultant is engaged, or where a SPC or other Victorian Government Department panel is used. The existing 'established panel' CMS to be utilised.

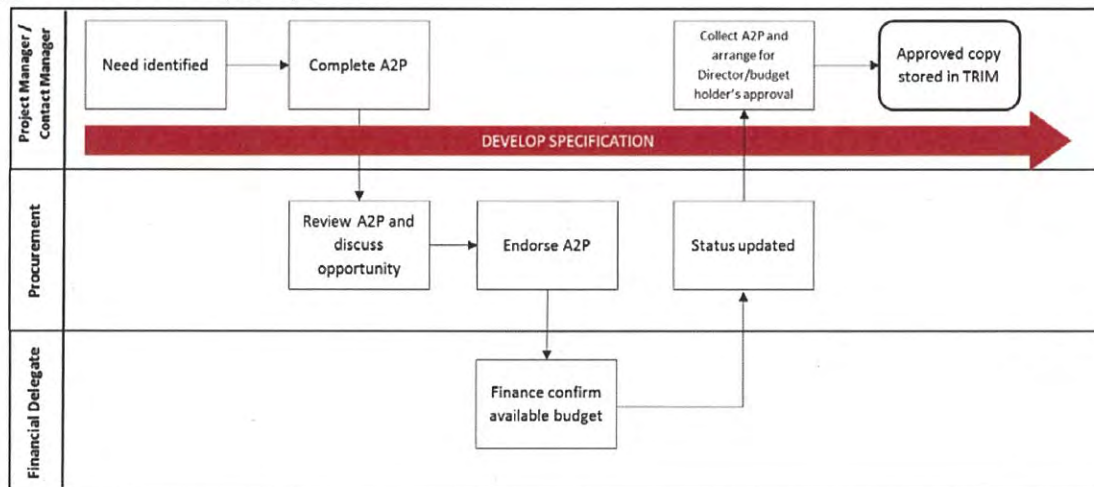


## 2. Procurement Process

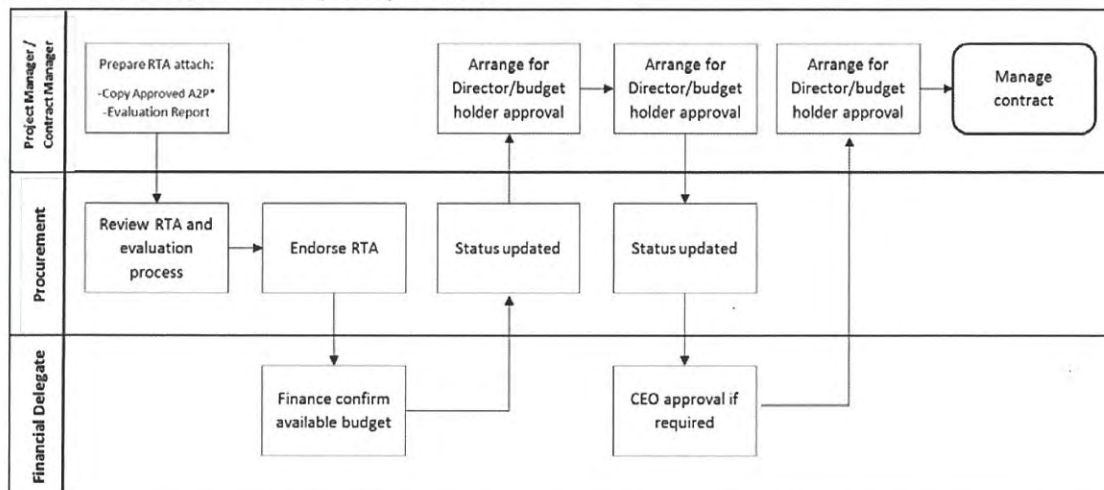
Below describes the steps in the procurement process that this Policy or the Procedures Manual relates to and the steps that PTV Procurement will be involved in:



### Approval to Procure ('A2P') Process



### Recommendation to Award ('RTA') Process



\*A2P = Approval to Procure

**For 'Advanced Procurement' (requiring PTV Procurement involvement)**

Step	Planning procurement	Evaluate responses	Establish contract	Implementation
<b>Actions</b>	<ul style="list-style-type: none"> <li>Define detailed business need and requirements;</li> <li>Analyse supply market;</li> <li>Analyse any risks; and</li> <li>Develop approach to market, evaluation strategy and bid documents including service levels/KPI's.</li> </ul>	<ul style="list-style-type: none"> <li>Evaluate responses against predetermined evaluation criteria; and</li> <li>Recommend the response that provides best value for PTV.</li> </ul>	<ul style="list-style-type: none"> <li>Communicate the decision to the respondent/s; and</li> <li>Perform all tasks required to the finalisation of the contract.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor performance of the supplier;</li> <li>Manage contract variations;</li> <li>Take receipt of goods/services;</li> <li>Pay invoice against the issued purchase order; and</li> <li>Carry out contract review.</li> </ul>
<b>Outcomes</b>	<ul style="list-style-type: none"> <li>Register in CMS;</li> <li>RFX documents; and</li> <li>Detailed 'Approval to Procure' form.</li> </ul>	<ul style="list-style-type: none"> <li>'Recommendation to Award' approved by delegated officer.</li> </ul>	<ul style="list-style-type: none"> <li>Contract executed;</li> <li>Issue purchase order;</li> <li>Letters sent to unsuccessful tenderer/s and debriefings; and</li> <li>Update and maintain contract file.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor spend against contract;</li> <li>Successful delivery of goods/services;</li> <li>Contract variations managed;</li> <li>Contract performance measured; and</li> <li>Manage supplier performance and conduct regular supplier reviews.</li> </ul>
<b>Templates</b>	<ul style="list-style-type: none"> <li>'Approval to Procure' form;</li> <li>RFX document; and</li> <li>Contract templates.</li> </ul> <p>Available on PTV Intranet.</p>	<ul style="list-style-type: none"> <li>Evaluation template; and</li> <li>'Recommendation to Award'.</li> </ul> <p>Available on PTV Intranet.</p>	<ul style="list-style-type: none"> <li>Letters to unsuccessful tenderer/s.</li> </ul> <p>Available on PTV Intranet.</p>	



## 3. Process description for 'Advanced Procurement'

### 3.1. Plan Procurement

1. Estimate the size of the procurement need.
2. Define business requirements and objectives of the procurement exercise, e.g. lowest cost, fast delivery etc. Document as required by Division.
3. Analyse business spend & budget:
  - understand past spend and future requirements;
  - assess risk and complexity of maintaining supply; and
  - document in the 'Approval to Procure' Form.
4. Analyse supply market:
  - analyse how market works, the direction in which a market is heading, the competitiveness of a market and potential alternative suppliers;
  - evaluate whether a potential supplier is able to meet PTV's requirements through the life of a contract; and
  - document in the 'Approval to Procure' form.
5. Conduct Complexity Assessment to ascertain activity positioning and approach.
6. Complete Approval to Procure form:
  - complete the 'Approval to Procure' form in conjunction with the appropriate RFX documents;
  - the 'Approval to Procure', as a minimum, documents the procurement objectives, the source of funding and the strategy for:
    - obtaining responses (including the specification, terms of contract and RFX document);
    - evaluating and selecting responses (including the evaluation panel, criteria and weightings);
    - establishing the contract (including the nominated acceptance documentation and financial delegate); and
    - reviewing the exercise (including the criteria for measuring the success of the exercise).
7. Develop RFX document:
  - complete the RFX document template in conjunction with the Approval to Procure form; and
  - forward the 'Approval to Procure' form and the RFX document to the PTV Procurement for review and endorsement.
8. Issue RFX document:
  - select the appropriate terms of contract to attach with the RFX document;
  - issue the RFX document via to responders outlined in the 'Approval to Procure' form; and
  - update the CMS

Refer to the Procurement Procedures Manual for details.

### 3.2. Evaluate Responses

1. Open and obtain responses from the delivery mode communicated to suppliers.
2. The evaluation panel evaluates the responses in accordance with the pre-determined evaluation strategy and criteria established prior to the issue of the RFX document.
3. The evaluation panel documents the evaluation process.



4. The evaluation panel recommends a supplier and completes a 'Recommendation to Award' form.
5. The contract manager updates CMS once supplier has been selected and supplier selection approved ('Recommendation to Award' form is finally signed by the financial delegate).

Refer to the Procurement Procedures Manual for details.

### **3.3. Award Contract**

1. Establish contract:
  - contracts only to be established following the approval of a Recommendation to Award; and
  - once the 'Recommendation to Award' form is signed by the relevant financial delegate, CMS must be updated with the details of the approval process and a copy of the signed 'Recommendation to Award' form.
2. Create contract file to retain all relevant contract documentation.
3. Receive bank guarantee/security:
  - where the contract requires the provision of a bank guarantee/security, the contract manager is to verify that it meets the requirements of the contract. Assistance from PTV Legal may be required; and
  - no claims for payment shall be considered until the security has been lodged.
4. Advise unsuccessful respondent/s. Notify all unsuccessful respondents in writing immediately after the contract has been successfully established (template available on PTV Intranet).
5. Debrief unsuccessful respondents. Refer any request for post-tender debriefing to the contract manager.
6. A purchase order is required to be raised prior to invoicing.

Refer to the Procurement Procedures Manual for details.

### **3.4. Manage Contract and Supplier**

Monitor supplier performance:

1. Set supplier performance measures/KPIs in the RFX documents and monitor actual performance during the course of the contract.
2. Manage contract and monitor performance:
  - manage the supply arrangement through its life;
  - raise purchase order/s as goods or services are required;
  - approve the received goods or services to allow payment of the invoice; and
  - where dispute/s arise, refer to PTV Legal.
3. Receipt all goods received against the appropriate purchase order. Approve correctly rendered invoices and credit notes.
4. Pay supplier:
  - settle creditors' claims for payment in accordance with the terms of the contract; and
  - ensure that all discounts (including discounts for prompt payment) are not foregone.
5. Assess and exercise relevant beneficial options within the contract.
6. When contract completed, return any bank guarantee/securities received.
7. Carry out overall contract review, and assess and summarise overall performance of supplier.

Refer to the Procurement Procedures Manual for details.

## Appendix 1 – RACI

The following table provides an outline of the main tasks in the procurement lifecycle, together with the roles for the Business, PTV Procurement and PTV Legal.

‘Advanced Procurement’ can either be led by the business (Procurement Engagement) or by the Procurement team (Procurement Led). This is decided by PTV Procurement using a Complexity Assessment. For some activities, the RACI will change depending on who is leading the activity.

Activity	Business	Procurement	Legal
<b>Preparing to engage the market</b>			
Stakeholder mapping	A	R/C	
Preparing the ‘Approval to Procure’ form	R/A	C	
Preparing specifications	R/A	C	
Selecting the sourcing strategy	A/C	R	
<b>Engaging the Market</b>			
Evaluation criteria	R/A	C	
Invitation letter and documents			
Procurement Engagement:	R	A/C	
Procurement Led:	C	R/A	
Evaluation Plan			
Procurement Engagement:	R/A (Summary)	C	
Procurement Led:	C	R/A	
Liaison with suppliers			
Procurement Engagement:	R	C	
Procurement Led:	C	R	
<b>Evaluation</b>			
Clarifications			
Procurement Engagement:	A/R	C	
Procurement Led:	A	R	
Evaluating submissions	R/A	R/C	
Negotiation			
Procurement Engagement:	R/A	C	
Procurement Led:	R/C	R	
Prepare the evaluation report			
Procurement Engagement:	R/A (Summary)	C	
Procurement Led:	C	R/A	
Due Diligence (Encompass, etc)			
Procurement Engagement:			R
Procurement Led:		R	
Prepare the Recommendation to Award (RTA)	R/A	C	
<b>Post Award</b>			
Preparing the Contract			
- Terms and Conditions (T&Cs)	R		C
- Schedules	R		
Debrief suppliers	R	A/R	
Record Keeping	R/A		
Creation of CMS Record	R/A		

Activity	Business	Procurement	Legal
Contract Management	R/A		
Spend and Contract Reporting		R/A	
Conduct Lessons Learned document	R	C	C

Table 3. RACI

NOTES: '**Responsible**' (R) for the carrying out of the activity, '**Accountable**' (A) for ensuring the task is carried out, '**Consulted**' (C) of the procurement activity, '**Informed**' (I) of the procurement activity.



## **ANNEXURE 3**


### **PTV PROCUREMENT PROCEDURE MANUAL (REDACTED)**




# PTV Procurement Procedures Manual

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# 1. Introduction

## 1.1. Purpose and Scope

The purpose of this document is to outline PTV's minimum standards for the procurement of goods, stores, materials equipment, works and services. The intended audience is staff whose responsibility is to purchase, order, provide and manage goods, works and services for and on behalf of PTV.

Employees who are not authorised employees (labour hire resources, contractors and consultants) are not permitted to procure goods, works and services for or on behalf of PTV. For instance, labour hire resources, contractors and consultants are not authorised to procure on behalf of PTV.

All procurement activities (other than those exemptions listed in paragraph 1.2) are governed by the Procurement Policy and are described in this Procurement Procedures Manual.

The business may develop local instructions necessary to manage administrative workflow, risk and/or process integration issues. However such instructions must be consistent with the Procurement Policy and the processes described in this Procurement Procedures Manual.

## 1.2. Exemptions from the Procurement Policy

The following goods, works and services are exempt from the Procurement Policy requirement to obtain at least 2 offers \* (and to complete an 'Approval to Procure' form); however, PTV policies/business rules apply in relation to paying suppliers (e.g. financial delegate approves purchase order / payment approval form), conflict of interest declarations, variations to contracts, and keeping business records:

- catering;
- conferences (professional memberships);
- daily rate parking voucher;
- donations;
- emergency management (defined below);
- operator agreements (e.g. franchisees – where existing arrangements apply);
- payments for utilities and telephones (mobile and fixed);
- personal expenses;
- purchase/sale of real estate;
- sponsorships;
- stationery and office products; and
- travel costs (including taxi).

\*In the scenario where there is only one suitable or capable vendor in the market, the business may get a quote from only one vendor. The business must justify their decision and document their market research (these business records may be called on for audit purposes).

Emergency management is defined as where any goods or services are required for urgent or unplanned activities that pose a risk to public infrastructure or life. In such a situation any financial delegate is authorised to procure the goods or services needed.

### **1.3. Staff involvement**

For procurements less than \$25,000 GST inclusive ('Transactional' procurements), the financial delegate is responsible for ensuring that all procurement activities optimise business outcomes for PTV, while complying with the Procurement Policy and processes.

Subject to approval of a business case or funding, anyone within PTV may initiate a procurement exercise. However, staff should ensure that PTV Procurement is consulted early during the procurement planning stage – especially for 'Advanced Procurement' or complex procurement exercises.

### **1.4. Structure of the Procurement Procedures manual**

This document contains the processes that will need to be followed to comply with the procurement framework outlined in the Procurement Policy.

This document should be read in conjunction with the related documentation:

**The Procurement Policy** – outlining the foundation upon which all procurement processes are built, consisting of fundamental principles and the governance framework.

**Quick Reference Guide** – brief outline of the main corporate policy points and an outline of the instructions related to the processes.

### **1.5. Fundamental principles of procurement**

#### **PTV corporate vision**

All procurement activities will to be undertaken in the pursuit of PTV's corporate vision:

*To provide a public transport service Victorians value and choose to use.*

## Procurement Governance Framework

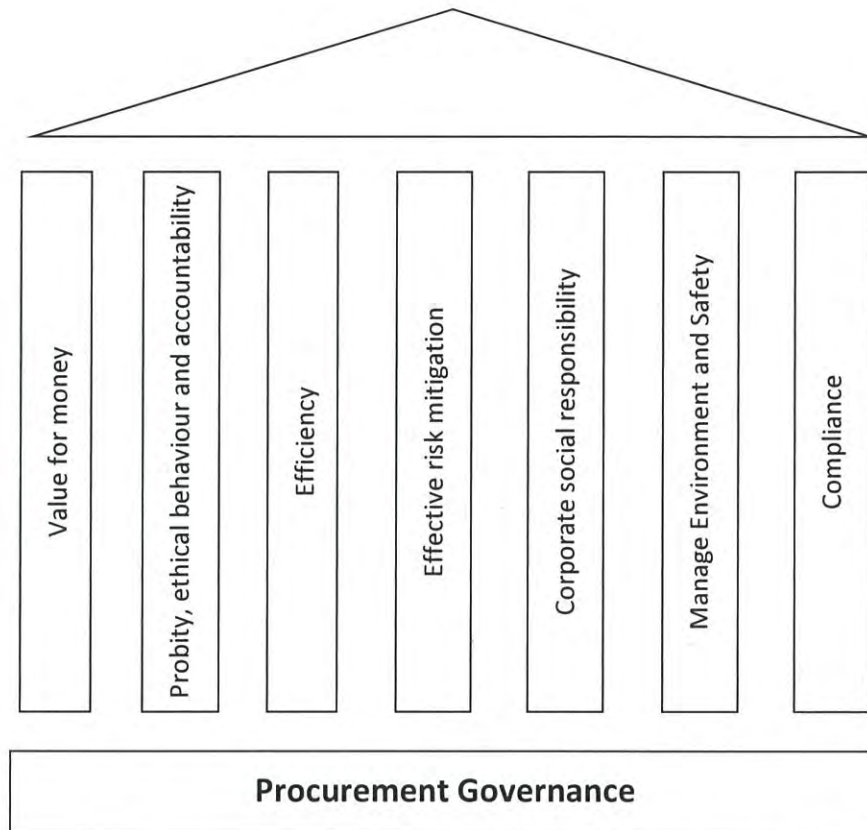


Figure 1. Principles of the procurement governance framework

The desired outcomes of applying the above are:

- the accountable officer has developed a strategy, systems, policy, practices and processes to monitor and benchmark performance;
- the accountable officer is asking appropriate and regular questions about procurement activity and procurement outcomes;
- roles, responsibilities, authorities and accountabilities are clearly articulated and understood; and
- risks are identified, mitigated and/or improved.



## 1.6. Roles

### 1.6.1. Procurement

The role of PTV Procurement is to lead and guide the strategic procurement objectives of PTV. The PTV Chief Procurement Officer (CPO) is responsible for providing strategic procurement leadership and advice to ensure PTV's procurement objectives are achieved across the full procurement lifecycle.

#### **Chief Procurement Officer (CPO)**

The CPO is responsible for the operation PTV Procurement. Additional key responsibilities of the CPO include:

- lead and monitor the delivery PTV's Procurement strategy and governance framework aligned to the organisation's business objectives;
- provide leadership, direction, advice and development opportunities for the management of third party spend across PTV to achieve benefits and savings;
- review, challenge and provide formal sign-off on project related procurement strategy;
- raise the awareness and strategic value of procurement across PTV; and
- provide direction on the methodology of identification, management, and mitigation of risk in procurement activities.

#### **PTV Procurement Team**

The key responsibilities of the PTV Procurement team include:

- provide leadership, direction, advice and development opportunities for allocated spend focus areas or projects to achieve benefits and savings;
- engage with the organisation to understand and define medium to long term procurement needs across spend focus areas;
- proactive use of data analysis tools to identify opportunities to aggregate expenditure driving better commercial outcomes;
- conduct market research to identify suppliers, products, and innovative solutions;
- recommend a 'go to market' strategy based on research and understanding to deliver the best value for money outcomes; and
- identify, manage, and mitigate risk in procurement activities.

Note, the PTV Procurement team does not create business specifications or scopes, obtain approvals from financial delegates, or conduct contract management activities.

### **Financial Delegate**

The Financial Delegate is located in the business and is the holder of the budget to be spent on the procurement activity. The key responsibilities of the financial delegate include:

- approve Procurements that are classified as both 'Transactional', and 'Advanced Procurement' (including that there is sufficient budget for the financial commitments), as proposed by the Project Manager / Contract Manager;
- work closely with the CPO and PTV Procurement, as required; and
- review the procurement needs identified and tasks to be performed for the business unit.

### **Contract Manager**

The Contract Manager is responsible for the ongoing management of the contract once it has been awarded, and is located in the business. The key responsibilities of the Contract Manager include:

- implement and support identified value for money and continuous improvement initiatives, ensuring implementation is according to the terms of the contract;
- resolve operational issues raised by business users and suppliers;
- monitor supplier performance, raise purchase orders, confirm receipt of goods, works and services and that they have been delivered in accordance with the terms of the contract, manage spend under the contract and ensure that commitments do not exceed approvals;
- conduct supplier performance during the contract and at the end of the contract;
- conduct price reviews, if applicable; and
- create a lessons learned document for High Complexity (Strategic Projects) procurement activity.

### **Project Manager**

The Project Manager is located in the business and is the initiator of the procurement activity. The key responsibilities of the Project Manager include:

- creation of the business requirements, specification, and scope for the procurement activity;
- attaining business approval; and
- obtaining financial delegate approval for the awarding of the procurement activity (including contract signing).

## **1.6.2. 'Transactional' v 'Advanced Procurement' exercises**

### **1.6.2.1. 'Transactional' procurement**

The procurement of goods, works and services where there are many sources i.e. off the shelf products or required for everyday use are 'Transactional' procurements. A list of the process and requirements for different purchasing activity is detailed in Table 1 below. 'Transactional' activity can be managed by the business up to \$25,000 (GST inclusive), provided at least 2 offers for each activity are obtained.



Purchasing Activity	Business Initiative		Policy Outcomes				
	Is the activity less than \$25,000? (GST inc)	Is there an established panel?	Require Procurement involvement?	Require HR approval ?	Complete Approval to Procure Form?	Quotes Required	Complete Recommendation to Award?
'Labour hire'	Yes	Yes	No	Yes	No	As per panel	No
		No	No	Yes	No	Minimum 2 quotes*	No
	No	Yes	No	Yes	No	As per panel	No
		No	Yes	Yes	Yes	Consult Procurement	Yes
Consultants	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes
Civil/Public Construction Works <sup>#</sup> , and Goods & Services	Yes	Yes	No	No	No	As per panel	No
		No	No	No	No	Minimum 2 quotes*	No
	No	Yes	Yes	No	Yes	As per panel	Yes
		No	Yes	No	Yes	Consult Procurement	Yes

**Table 1 - Procurement Policy Outcomes**

Business units will manage all 'Transactional' procurement exercises using tools, templates and work instructions available on the PTV Intranet and in accordance with this Procurement Procedures Manual.

All 'Transactional' procurement under \$25,000 (GST inclusive) will still be subject to spot audit checks. Monthly reporting will also be presented to the PTV Executive and Directors. Copies of all offers (e.g. quotes) and associated paperwork must therefore be fully retained by the business.

\*In the scenario where there is only one suitable or capable vendor in the market, the business may get a quote from only one vendor however the business must justify their decision and document their market research (these records may be called on for audit purposes).

**# Civil/Public Construction Works - Note:** As a public statutory authority, PTV is bound by the *Project Development and Construction Management Act 1994*. The Act facilitates government development projects in Victoria and requires the responsible Minister to set standards and issue written directions in relation to public construction.

In accordance with this Act, 'public construction' means any matter relating to the construction, maintenance, rehabilitation, alteration, extension or demolition of any improvements on land by, or on behalf of, departments or public bodies and includes:

- design and construction practices;
- tendering processes;
- project delivery; and
- contract administration.



This Act does not apply to facilities maintenance and management works, signage, installation and branding works. However, procurement of these services must comply with the Procurement Policy. Whilst it is understood that PTV will assign the large scale provision of the construction works and services to transport operators, due to its complexities, PTV Procurement will provide the required expertise and be closely involved in all procurement activities if these scope of works are to be delivered in-house.

### 1.6.2.1.1. Use of State Purchase Contracts (SPC) or other Government Department panels

Where State Purchase Contracts (SPC) or other Victorian Government Department panels are proposed to be used, the relevant panel rules apply. Refer to the PTV Procurement Intranet link below for a list of available panels that are able to be utilised by the business.

<http://ptvintranet/business-support/procurement/Pages/Panels-Available-to-PTV.aspx>.

Note: the business requirements/scope must be within the SPC/panel scope of works.

### 1.6.2.1.2. Use of Registers

Some suppliers may be included on a Government 'register'. The process of registration may not be as rigid as the process to become a panel supplier.

A procurement exercise involving an approach to suppliers on a 'register' must comply with the minimum procurement threshold requirements (refer Table 2 below).

Policy requirement	'Transactional' (under \$25K GST inc)	'Advanced Procurement'
risk rating	low risk	medium - high risk
registration in Contract Management System (CMS)	not required*	required
approval documentation	In accordance with delegations (e.g. purchase order)	'Approval to Procure' form
endorsement of procurement process	business unit	PTV Procurement
number of offers to be obtained	minimum 2 or reason for not seeking minimum to be documented	as set out in procurement strategy
method of issue invitation and receive responses	no policy requirement but e-Tender recommended	e-Tender
evaluation panel (minimum)	1 officer	3 officers
documentation of outcome	record to be made and retained by business area	evaluation report and 'Recommendation to Award' form
'Recommendation to Award' form endorsed by:	'Recommendation to Award' form not required	Procurement
required approval	financial delegate	

Table 2. Minimum procurement requirements

\* CMS is required regardless of spend when consultant is engaged, or where a SPC or other Victorian Government Department panel is used. The existing 'established panel' CMS to be utilised.

### **1.6.2.1.3. Labour Hire**

'Labour hire' engagements, no matter the value, need to have endorsement from Human Resources (HR).

If the activity is less than \$25,000, no PTV Procurement endorsement is required.

If the activity is greater than \$25,000, and the 'Labour hire' is sourced off panel (e.g. Department of Treasury and Finance Staffing Services panel), there is still no PTV Procurement endorsement required. Otherwise, PTV Procurement endorsement and an 'Approval to Procure' form is required.

### **1.6.2.1.4. Consultants**

If the activity is less than \$25,000, no PTV Procurement endorsement is required.

Consultants require Procurement endorsement and an 'Approval to Procure' form for all activities greater than \$25,000 (GST inclusive).

### **1.6.2.1.5. Order splitting**

Order splitting involves the placement of multiple orders to one or more vendors for the same, like, or related goods, works or services to avoid using the appropriate method of procurement or to remain within delegated purchasing authority.

PTV Procurement prepares monthly reports to PTV Directors containing information on all expenditure that has exceeded approvals, upcoming contract expiry, and recent contract awards. This enables PTV Procurement to specifically track instances of multiple contracts awarded under thresholds (order splitting). **Order splitting is not permitted.**

## **1.6.2.2. 'Advanced Procurement'**

PTV Procurement will work closely and collaboratively with the business unit representatives to provide the most effective resourcing to achieve the outcomes of the procurement. The involvement of PTV Procurement will be articulated within the procurement strategy. An 'Approval to Procure' form is required for all 'Advanced Procurement' activities. Refer Appendix 1 for additional information on roles and responsibilities.

### **1.6.2.2.1. Complexity Assessment**

For Advance Procurement activities, PTV Procurement will conduct a thorough Complexity Assessment utilising the *Detailed Complexity Assessment Tool* to determine whether the activity will be PTV Procurement assisted, or led. The assessment will determine where the activity is positioned on the Complexity Quadrant Matrix.

PTV Procurement will lead the activity for procurement activities that fall into the Strategic or Focussed quadrants, as these are riskier activities. Where the activity falls on the border between two quadrants, the activity will be deemed to fall into the riskier quadrant. For these activities, PTV Procurement will manage the procurement process, construct the tender documents (in conjunction with the business), lead any negotiation, and chair the evaluation panel.



PTV Procurement will assist the business for the less risky quadrants, Leveraged and Transactional, as these are less risky activities. Activities that fall into this quadrant may include where there are existing panels or contracts, or where there are a large number of suppliers. Note, the Leveraged quadrant is a high spend category, but low risk. PTV Procurement will assist the Business in the procurement process, assist the construction of the tender and any negotiation, and assist in the evaluation.

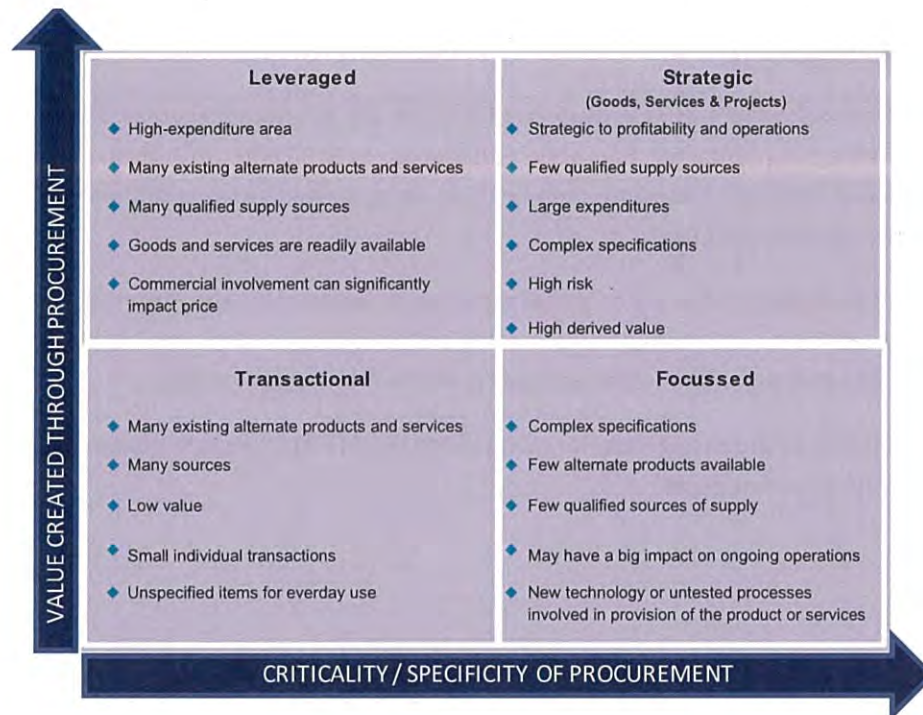


Figure 2. Complexity Quadrant Matrix

Where the capability of the business is low, PTV Procurement will further assist the business unit as much as required. PTV Procurement will also educate the business unit in order to lift their procurement capability for future activities.

## 1.7. Capability

PTV Procurement will ensure that the organisation has an appropriate level of procurement expertise, resources, systems and processes that enable procurement activities to be completed successfully.

The assessment of capability will:

- be carried out by PTV Procurement management;
- identify the capabilities needed to carry out procurements; and
- identify whether the capabilities in the organisation need to be developed or supplemented to undertake procurement.



An assessment of capability at the organisational level forms part of your annual procurement planning process.

Assessing a higher level of capability at the business unit or individual level allows these areas of PTV to carry out more complex procurements than would otherwise be permitted by the organisational capability assessment. PTV Procurement will run training sessions with the business relating to procurement on an annual basis to address any shortfalls in capability.

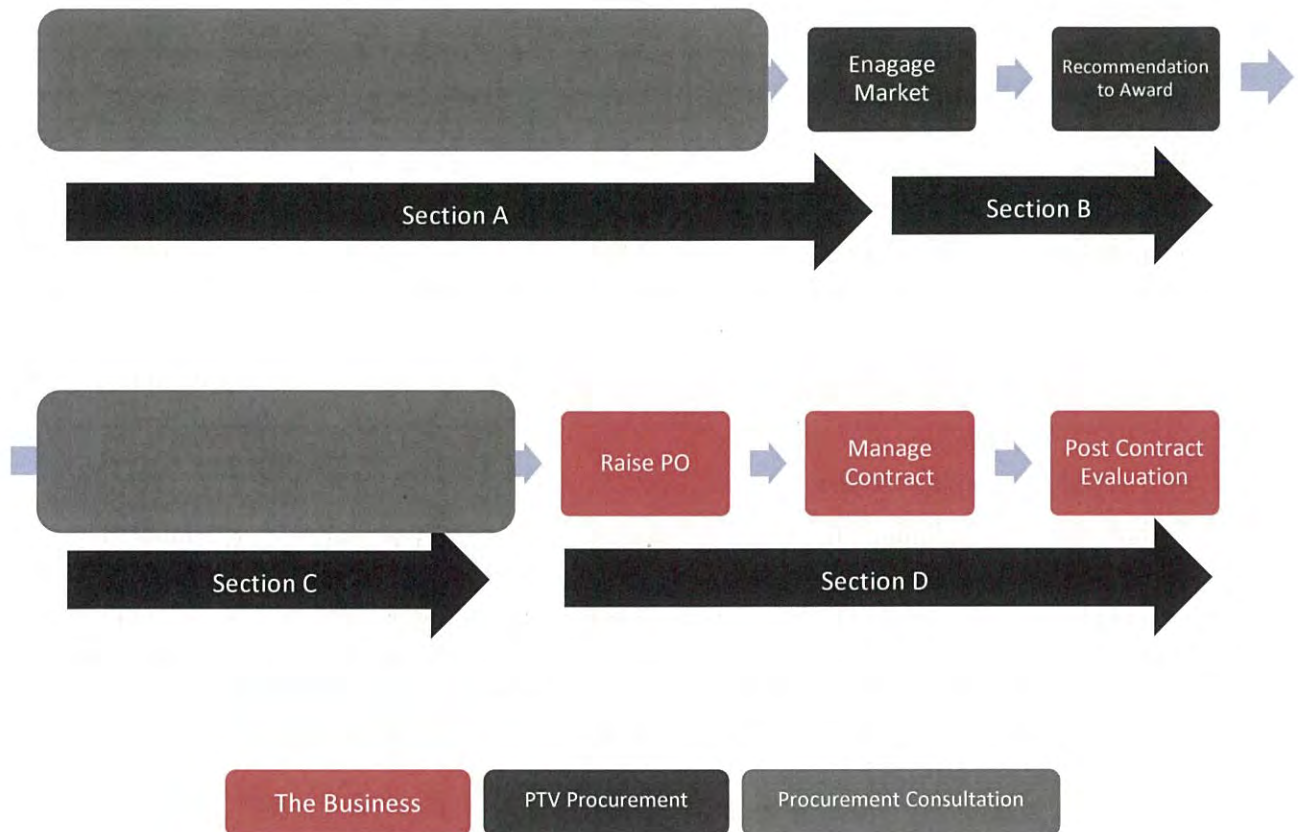
## **1.8. Asset Disposal**

As per the PTV Delegations of Authority disposal of any PTV assets (including write-offs) needs to be authorised by the Executive Director, Corporate Services (up to \$100,000 GST inclusive market value), and the Chief Executive Officer for amounts greater than this figure - with the PTV Board to be notified of any significant matters.

PTV assets are to be disposed of in a way that takes into account probity, security, sustainability and transparency, as well as environmental and social factors (including consideration to recycling or transferring a redundant asset to another entity or Non-For-Profit organisation).

Contact PTV Finance who are responsible for maintaining the PTV asset register should you have any queries in relation to asset disposal.

## 2. Process overview



Detailed descriptions for each of the processes can be found in the following sections:

- Section A: Plan procurement, create and issue bid documents.
- Section B: Evaluate responses.
- Section C: Establish contract.
- Section D: Contract management.
- Section E: Complaints management process.

## A. PLAN PROCUREMENT, CREATE AND ISSUE BID DOCUMENTS

### 3. Planning Procurement

#### 3.1. Introduction

PTV Procurement will produce a PTV procurement strategy. This strategy provides an overview of the PTV's procurement profile and includes the following components:

- Procurement Activity Plan;
- contract management planning strategy;
- supplier engagement plan; and
- capability development plan.

PTV Procurement will establish, in conjunction with the business, an annual Procurement Activity Plan, which will be forward looking. The Procurement Activity Plan will be a rolling 15 month view of procurement activities, and is to be updated quarterly in accordance with changes in business strategy. In discussions with the Business, PTV Procurement will also alert them to the timings of forecasted procurement activity (based off contract end dates and incorporated in the Activity Plan). During the quarterly review, the CPO will confirm the progress of the Procurement Activity Plan against plan KPIs, and take action if required.

If required, PTV Procurement will establish category management plans for market segments defined by the PTV CPO.

#### 3.2. Planning individual procurement activities

Plan procurement and create Invitation documents as per the following:

Planning	
Actions	<ul style="list-style-type: none"> <li>• define stakeholders and areas of the business that need to be consulted and engaged;</li> <li>• define detailed business need and requirements including contract performance measures;</li> <li>• analyse supply market;</li> <li>• analyse risks;</li> <li>• determine contract term including options; and</li> <li>• develop approach to market, evaluation strategy and Invitation documents.</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• detailed 'Approval to Procure' form; and</li> <li>• Invitation documents.</li> </ul>
Templates	<ul style="list-style-type: none"> <li>• 'Approval to Procure' form and Procurement strategy;</li> <li>• Invitation documents; and</li> <li>• Evaluation plan ('Advanced Procurement').</li> </ul> <p>All templates are available through PTV Intranet.</p>



### **3.3. Recordkeeping**

At the outset of the procurement process, the initiator of the procurement exercise should arrange for a TRIM workgroup to be set up for the procurement process, in which all relevant documents may be stored. A hard copy file should also be established to hold all hardcopy records. All signed documents should be scanned into TRIM and saved to ensure all approvals are easily accessible in soft-copy format. All of the documents which relate to the engagement process, including correspondence via email and letters, will be saved into the various TRIM folders within the workgroup set up for the specific project.

TRIM security should be determined between the Records team and PTV Procurement, but during the engagement process access should be restricted to the evaluation team in line with the security controls in the relevant evaluation plan.

Once a contract has been signed, it and other documentation relating to ongoing contract management should be saved in the contract management section of TRIM for ongoing management, and the engagement folder locked out.

### **3.4. Unsolicited Innovative Approach**

On occasion, a supplier may present the business with an unsolicited innovative approach. The approaches are by a supplier who has a plan to enact services in an innovative manner for PTV, but which PTV has not sourced themselves. These approaches should be discussed with PTV Procurement to ascertain whether they should be investigated or rejected. Factors to consider include impact on budgets, whether there are alternate suppliers, and forward plans.

## 4. Create bid documents

### 4.1. Define business requirements

The majority of procurement problems can be traced back to a lack of understanding of the business requirements and outcomes. As such the person responsible for the procurement (the Project Manager / Contract Manager) should engage with key stakeholders early in the procurement planning process to define the business requirements that are to be met by the procurement exercise and obtain agreement on the required outcomes.

Once the business requirements have been agreed by the relevant stakeholders, it may be translated into a detailed specification.

### 4.2. Estimate need

The first step in the procurement planning process is to estimate the monetary value of the procurement need. Initial estimations can be based off past spend, but assessment of pricing in submissions should be conducted based off accurate forecasted requirements.

### 4.3. Specification definition

A specification is the basis of all offers, and therefore the foundation for a contract. When the contract is in place, the specification becomes an essential contract management document which is used to ensure that the chosen supplier provides what is specified. It must therefore be clear and complete, and accurately define what is expected from a supplier – i.e. the outputs (for services) or the functional and performance requirements (for goods and works).

Specifications should be based on a business or management plan, and the needs of a customer or group of users. **The specification is created by the business (Project Manager / Contract Manager).** Ensure that all stakeholders have input into the specification, in order for it to be as accurate and encompassing as possible. The process for calling for offers should commence only after all requirements are clear.

A well prepared specification assists:

- PTV to understand what it is funding and what it will get for its money in terms of cost, quantity, quality and timing; and
- suppliers to understand tenders, to respond effectively, and to carry out their contractual obligations.

Where possible, specifications should be written in terms of the outputs or functions to be fulfilled, rather than listing specific technical requirements.



The content of the specification should:

- support standardisation and rationalisation of the end product;
- not restrict competition;
- not act as a barrier to the introduction of alternative products or new or advanced technology; and
- encourage respondents to offer innovative options or solutions which contribute to PTV's ability to carry out its business in a more cost-effective manner.

A complete list of specifications will maximise the opportunity to achieve the best possible value. The more time spent getting the specification complete and concise, the more time is saved throughout the remainder of the process. Additionally, an incorrect specification will lead to additional costs, delays to delivery, and damage in the market to the reputation of PTV.

#### **4.3.1. Specifying services**

When preparing specifications for the supply of services, the following points should be considered:

- outputs (services) to be delivered must be measurable and achievable within a specified timeframe;
- performance measures (e.g. quantity, quality, timeliness, cost, innovations) and targets;
- contract management requirements (level of authority the Contract Manager will have, reporting process, access to suppliers' records etc.); and
- transition process from/to another service provider (if applicable).

#### **4.3.2. Specifying goods**

When preparing specifications for the supply of goods, the following points should be considered:

- design and performance criteria (e.g. functional, performance and technical characteristics, reporting requirements, maintenance and training requirements, applicable standards, compatibility and standardisation);
- acceptance testing; and
- trade-ins, and disposal (if applicable).

While the specifications may be drafted by the Project Manager / Contract Manager or by technical experts it must be approved by the client or project sponsor prior to it being incorporated into the Invitation document.

Where an external party is being engaged to assist in the development of the specification, the terms and conditions of employing any such party must mitigate any potential risks such as probity, intellectual property and confidentiality.



#### **4.4. Analyse business spend and budget**

Sound procurement planning is based on a thorough understanding of past and future spend and an assessment of the criticality of the goods, works and services to be acquired.

##### **4.4.1. Spend and budget analysis**

The analysis of historical spend enables PTV to understand the past pattern of acquisitions so that it can size, scope and prioritise the savings opportunities available through the procurement action.

The analysis should provide a complete picture of what has been bought, from which suppliers, by whom and what the baseline prices were.

Significant procurement opportunities may be found where:

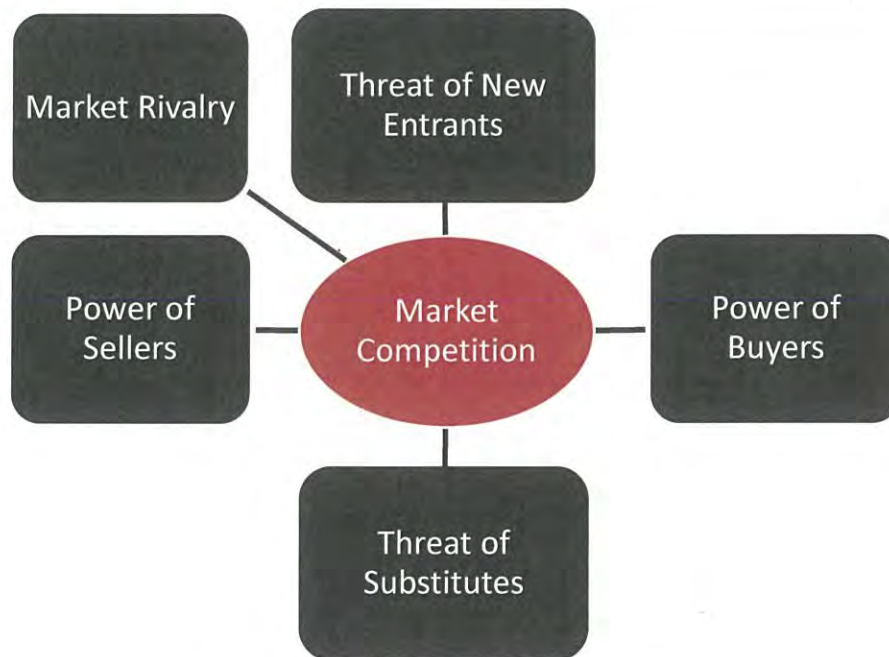
- significant spend is not under contract;
- compliance against existing contracts is poor;
- large numbers of suppliers are used to meet similar requirements;
- spend is recorded within the separate parts of the business without a master group contract in place;
- price volatility exists; and
- problems with supply are experienced (e.g. reliability, quality, price, availability etc.).

#### **4.5. Analyse supply market**

The aim of analysing the supply market is to assess the capacity and willingness of suppliers to provide goods, works or services to PTV. The information gathered during this stage will assist the Project Manager / Contract Manager in developing the optimum procurement strategy i.e. how to engage the market and identify firms that are best suited to meet PTV's requirements.

The Porters Five Forces Tool is designed to assist with **industry** level analysis. The tool can be used to analyse categories of spend or industries in terms of their overall competitive attractiveness, and should be used for Advanced Procurement activities. The approach involves analysing the industry in terms of:

- intensity and nature of rivalry amongst existing firms;
- threat of new entrants;
- potential for and threat of substitute products;
- bargaining power held by suppliers; and
- bargaining power held by buyers.



This model describes the five forces which determine PTV's attractiveness to new suppliers and the level of competition of a market, and subsequently its power as a buyer.

- **Power of Buyers – the bargaining power of customers**  
Buyers are more powerful and the market less attractive if:
  - there are few buyers;
  - a single buyer consumes a large portion of the output;
  - buyers are able to buy sellers or rivals;
  - costs of switching suppliers is low;
  - buyers are sensitive to price; or
  - buyers are not dependent on existing distribution channels.
- **Power of Suppliers – the bargaining power of suppliers**  
The bargaining power of second tier suppliers and their ability to increase costs is increased if:
  - there are only a few second tier suppliers;
  - there are significant costs to changing suppliers; or
  - there are negligible substitutes in the market.
- **Threat of Substitutes – the threat of using alternative products**  
Where buyers have the option of switching to alternative products the attractiveness of a market is reduced for suppliers and buyers are in a stronger position. This refers to switching to different products rather than the same product made by a competitor (e.g. switching from Coke to bottled water, rather than from Coke to Pepsi).
- **Threat of New Entrants – the threat of new competition**  
Profitable markets will attract new entrants, which will lower profits for existing companies (potentially lowering costs for buyers), unless there are significant barriers to entry. Barriers to entry may include:



- government regulation – restrictions on competition, licensing and permit requirements;
  - the existence of large established firms with established economies of scale;
  - set up costs;
  - control of resources;
  - customer loyalty and costs for customers to switch; or
  - intellectual property (IP) – the requirement of specialist knowledge, and the use of patents.
- **Market Rivalry – the level of rivalry amongst firms**  
A market is more attractive to suppliers if there are few existing firms, and the competition is not intense. Information on the market, and suppliers, can be gathered from:
    - research houses;
    - the internet/online/news sources;
    - internal sources. PTV has a wealth of experience, both within PTV Procurement, but also amongst operations and the stakeholder base;
    - asking a supplier! While overlooked, suppliers are a wealth of knowledge. Have conversations with multiple suppliers, as this verifies the information presented. Ask questions such as:
      - How big is the market?
      - How big are you in that market?
      - Who are your biggest competitors? And what makes you better than them?These questions allow a direct analysis of each supplier's position in the market, and also PTV's position in the market as a consumer.

Analysing the above five forces in addition to other external factors such as government influence allows us to understand the degree of rivalry amongst potential suppliers and hence relative strength of the buyer.

#### **4.5.1. Managing risk**

An analysis of the risks may impact the development of procurement strategy and should be undertaken while analysing the supply market.

The Project Manager / Contract manager should identify and assess the risks associated with the procurement exercise. For complex projects this is usually best achieved in conjunction with the key stakeholders and subject matter experts from PTV Legal and Insurance.

##### **4.5.1.1. Risk assessment**

Assess each of the risks by determining the likelihood of the event occurring, and the consequence of the event. Determine the priority of each risk using the PTV Risk Matrix, available on the PTV Intranet. 'High to Extreme' priority risks will need to be addressed when formulating strategy.

Note: If the procurement exercise involves outsourcing any work that is currently carried out in-house the Project Manager / Contract Manager must consult PTV Procurement.



#### 4.6. 'Transactional' procurement

'Transactional' procurement can be managed by the business up to \$25,000 (GST inclusive), provided the business obtain at least two competitive quotes for each activity. Refer section 1.6.2. *'Transactional' vs 'Advanced Procurement' exercises* for more detail.

#### 4.7. 'Advanced Procurement'

An 'Approval to Procure' form must be developed for all procurement exercises that are not 'Transactional'. The aim of the 'Approval to Procure' form is to document the procurement objectives and outline the procurement strategy that will best meet these objectives. The key areas that need to be covered in the 'Approval to Procure' form are:

- the market analysis (see paragraph 4.5);
- the contract term for standing offer contracts. The maximum term of a contract is something that needs to be assessed depending on the type and value of the procurement. Each type of procurement will be different and should be discussed with PTV Procurement.

Some questions to consider in determining the contract term:

- how will VFM be accessed throughout the term of the contract;
- at what point should PTV retest the market to allow other companies the opportunity to tender;
- is the type of goods, works and services likely to change in value (e.g. changes in technology might result in the same services being delivered more economically or additional functionality being available for the same price);
- are there setup and contract establishment costs to recover;
- are there disposal/disengagement costs at the end of the contract;
- what is the lead time for delivery of goods;
- is the contract likely to take time to setup; (e.g. complexity of the relationship and start-up duration may be dependent on what you are procuring and the market/supplier); and
- what are the costs associated with establishing a new procurement process.
- risk analysis (including the identification, assessment and management of any risks that may be posed by the procurement);
- strategy for obtaining responses;
- evaluation plan (including the evaluation panel, criteria and weightings);
- establishing the contract;
- advising unsuccessful respondents (including the nominated officer/s for providing feedback); and
- managing the contract (including who has the responsibility for the management of the contract and, where applicable, who has responsibility for vendor management and contract performance review mechanisms).

The 'Approval to Procure' form must be developed in conjunction with the Invitation documents and needs be endorsed by PTV Procurement prior to it being approved by the financial delegate. For some 'Advanced Procurement' activities, a detailed sourcing strategy/approach to market may be required. This will be prepared by PTV Procurement with assistance from business representatives.

#### **4.7.1. Sourcing strategy**

For some 'Advanced Procurement' activities, a detailed sourcing strategy/approach to market may be required. This will be prepared by PTV Procurement with assistance from business representatives.

The sourcing strategy will include, at a minimum, the following:

- objectives of the procurement;
- proposed sourcing approach (e.g. RFQ, EOI, RFT, use of panel, single source);
- risk assessment and risk mitigation strategies;
- insights from category/market review;
- public approach or proposed list of suppliers;
- statement of how this procurement is consistent with PTV Procurement objectives (as detailed within the Procurement Policy); and
- stakeholder engagement plan.

The sourcing strategy will consider the following procurement objectives when determining the appropriate approach:

- achieve VFM for both financial and non-financial business benefits;
- encourage sustainable competition;
- demonstrate probity, ethical behaviour, and accountability;
- make efficient and effective use of resources;
- mitigate risk;
- manage environmental and Occupational Health and Safety (OH&S) considerations;
- promote corporate social responsibility; and
- compliance with government objectives and applicable policies.

The approved sourcing strategy will need to be followed when completing the procurement activity.

##### **4.7.1.1. Operational probity requirements**

In developing the sourcing strategy, PTV Procurement may require the development of a probity plan and the involvement of a probity advisor or auditor. At a minimum, all high value high risk projects should have a probity plan.

#### **4.7.2. Evaluation criteria definition**

The evaluation criteria must be established so that it will assist in differentiating the various offers and facilitate the selection of the response that represents the best value for PTV.

Evaluation criteria fall into one of three types: mandatory, financial and technical.

##### **4.7.2.1. Mandatory criteria**

Mandatory criteria are criteria that respondents must comply with before its offer can be considered further. The commonly used mandatory criteria are:



- compliance with specific requirements which are crucial to the goods, works or services;
- compliance with certain statutory requirements, Australian Standard, industry association membership, qualification and certification which are crucial to the goods, works or services; and
- meeting specific technical specification of the required goods, works or services.

Using mandatory criteria must be considered carefully since this is a culling mechanism that cannot be deviated once it is published in the Invitation documents. If a respondent is unable to meet a mandatory criterion, its response **cannot** be considered under any circumstance.

#### **4.7.2.2. Financial criteria**

The financial criteria aims to assess the costs associated with the goods, works or services to be acquired. In many cases this may just be the price that is offered by the respondent. However consideration may need to be given to other costs such as transition in/out costs, training costs, maintenance cost, termination costs or whole of life cost assessments. The Invitation document should highlight all costing elements that will be taken into consideration as part of the financial assessment of any responses.

#### **4.7.2.3. Technical criteria (non-financial criteria)**

The aim of the technical criteria is to allow the evaluation panel to assess the competence and capabilities of respondents.

There are a range of criteria\* which can be used to assess the technical of a respondent such as:

- understanding of the project scope;
- resources capability;
- project methodologies and planning including capacity to perform;
- past relevant experience and performance;
- ability to meet project timeline;
- management systems related to quality, OH&S, environment and sustainability requirements;
- management and technical skills;
- maintenance, support and warranty; and
- technical solution.

\*the above list is a guide only.

#### **4.7.3. Evaluation method and process**

The evaluation method chosen should allow PTV to identify the response that achieves the best value for the money spent. Least cost, numerical scoring, and weighted scoring are some of the evaluation methods that may be used. PTV Procurement is best placed to assist in developing the best evaluation method and process for each procurement exercise.



The evaluation plan sets out responsibilities, evaluation timetable and details the process that will be followed when evaluating responses. The evaluation plan should be aligned with the Invitation documentation so that the guidelines for evaluation are consistent with the evaluation criteria specified in the Invitation documentation. The plan should not be changed after release of the Invitation documentation without approval from the CPO.

#### **4.7.3.1. Alternate Responses**

On occasion, a supplier may present an alternate response to a tender. These are responses that do not directly address the tender, but may provide an alternate solution to the problem. On submission of an alternate response, PTV Procurement must be consulted, and the response may only be considered with the approval of the CPO. If approved, together the Business and PTV Procurement must evaluate whether the response fulfils the objectives of the tender.

Preferably, the supplier should submit a conforming tender in addition to the alternate response. This allows an easier comparison to the other tenders.

#### **4.7.4. 'Approval to Procure' documentation**

The Project Manager / Contract Manager is responsible for documenting the opportunity, in the 'Approval to Procure' form. When completing 'Approval to Procure' form, it is useful to remember that the document will be used:

- to obtain approval from the authorised financial delegate. Therefore, provide sufficient details to justify the strategies and actions being proposed; and
- as a reference document for implementation. Therefore, clearly outline activities, timeframes, resource requirements and responsibilities.

The level of detail required will depend on:

- the level of expenditure;
- the level of risk; or
- the complexity or sensitivity of the exercise.

### **4.8. Develop Invitation document**

Invitation documents should clearly convey PTV's requirements including performance measures and the terms and conditions under which these requirements are sought. The key parts of the Invitation documents such as the specifications, performance measures and terms and conditions should be developed with the assistance of key stakeholders and subject matter experts such as PTV Procurement, PTV Legal, the Insurance Manager, etc.

Information related to the complaints management process must be included in all tender documentation.

## **4.9. Response period**

Suppliers need sufficient time to prepare their submission taking into account the complexity of the procurement, the scope of information sought from the market, the scope of information required by the market and the operation of the market sector relevant to the procurement requirement.

Suggested submission periods are as follows:

- 8 working days for low-risk 'Transactional' procurement activity unless a lesser period is supported by the CPO or during a period of critical incident;
- 15 working days for medium risk procurement activity generally of an 'Advanced Procurement' medium level of complexity; and
- 20 to greater than 25 working days for higher risk procurement activity of an 'Advanced Procurement' strategic level of complexity.

Note: The above periods are Department of Treasury and Finance suggested periods for each stage of a multi-stage market approach.

All Invitation documents for 'Advanced Procurement' should be issued and received via PTV's e-Tender service (Tenderlink). Any alternative methods for issuing or receiving Invitation documents must be approved by PTV Procurement well in advance of the Invitation document issue date.

### **4.9.1. Tender briefings**

Tender briefings are recommended for procurement exercises which are particularly complex, unusual or sensitive. The briefings assist in reducing the risk of respondents misunderstanding PTV's requirements and the procurement process. Tender briefings provide a good forum to emphasise key aspects of the requirement, clarify and resolve any concerns that potential respondents may have, and improve the quality of responses.

An intention to conduct a briefing should be highlighted in the advertisement and the Invitation document. Tender briefings should be scheduled so that there is sufficient time for potential respondents to familiarise themselves with the Invitation document before attending the briefing and adequate time must be allowed for issues to be raised and addressed.

A register of attendance must be maintained by the chair of the evaluation team and a record of all questions and answers arising from the briefing should be circulated to all attendees. Any amendments or clarifications to the Invitation document resulting from the briefing must be recorded in writing and circulated to all potential respondents. Care must be exercised during briefings to ensure that the probity of the procurement process is maintained at all times.

### **4.9.2. Clarifications**

Any clarifications or other correspondence relating to the Invitation, prior to the closing date, must be dealt with in a timely manner with a written response. All prospective respondents who have been issued Invitation documents are advised in writing of the clarification without identifying the details of the party seeking clarification.



Where it may take some time to resolve the matter, advise prospective respondents in writing including an indication of when clarification can reasonably be expected. Under these circumstances the evaluation panel chair should consider whether an extension of the closing time is warranted.

Where there is any concern that a response may impact upon parties' rights to confidentiality the issue must be referred to PTV Procurement.

#### **4.9.3. Extension of closing date**

Closing dates should only be extended where the Project Manager / Contract Manager considers that it is in the best interests of PTV. The revised closing date must be communicated to all suppliers who have received copies of the Invitation document.

#### **4.9.4. Receipt of responses**

Responses to 'Transactional' procurement exercises may be received in a manner considered appropriate by the Project Manager / Contract Manager but they must at all times ensure the control and confidentiality of the responses.

All responses to 'Advanced Procurement' exercises should be received via PTV's e-Tender system. Any alternative methods receiving responses must be approved by PTV Procurement well in advance of the Invitation document issue date.

#### **4.9.5. Cancellation or suspension of a procurement exercise**

Any decision to cancel or suspend a procurement exercise should be discussed with PTV Procurement. Should PTV Procurement agree that a suspension or cancellation is warranted, approval must be sought from the same officer who approved the original procurement activity.

Once a cancellation has been approved, the Project Manager / Contract Manager must terminate the process immediately by informing all respondents and/or recipients of Invitation documents. Respondents should be given the opportunity to have their response documents returned. Should any respondents not require the return of their response documents, these should be destroyed and the procurement exercise file noted accordingly.

Where a procurement exercise has been suspended after the opening of responses the Project Manager / Contract Manager must arrange for all responses to be placed in secure storage until a decision is made to cancel or proceed. Under no circumstances should any PTV representative discuss the decision to cancel or suspend a procurement exercise with any respondent or other interested parties, nor make any public statement, until the matter has been fully resolved. In all instances the full details of this nature must be placed on the relevant official record.



#### **4.10. Update CMS**

All contracts formed as a result of an 'Advanced Procurement' exercise will be created in CMS.

Details of contracts that are above \$10 million should be fully disclosed on the Victorian Government Contracts Publishing System, unless the contract material is excluded from disclosure for satisfying one or more of the criteria contained in Part IV of the FOI Act.

## B. EVALUATE RESPONSES

### 5. Introduction

The actions and outcomes for the evaluation process and the supporting templates can be summarised as follows:

Evaluate responses	
Actions	<ul style="list-style-type: none"> <li>• evaluate responses against the predetermined evaluation criteria; and</li> <li>• recommend the response that provides the best value for PTV.</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• approval to award a contract.</li> </ul>
Templates	<ul style="list-style-type: none"> <li>• evaluation template;</li> <li>• evaluation report ('Advanced Procurement'); and</li> <li>• 'Recommendation to Award' form.</li> </ul>

#### 5.1. Open responses received

After the published closing time, the Project Manager / Contract Manager ('Transactional' procurement) or PTV Procurement ('Advanced Procurement') will be able to access the responses that have been lodged for the relevant procurement exercise.

Responses should be opened and recorded in the presence of at least 2 PTV officers.

#### 5.2. Evaluate responses in accordance with evaluation plan

The evaluation process is a complex activity with substantial legal and ethical implications. It is therefore good practice to seek advice from PTV Procurement on any issues or concerns raised during the evaluation stage.

Prior to the commencement of the evaluation process, the chair of the evaluation panel will arrange for 'Conflicts of Interest' declarations to be completed and returned by each member of the evaluation panel. Any actual or potential conflict of interest at this stage of the procurement process should be declared to PTV Procurement and the evaluation of response should be suspended until further instructions are received from PTV Procurement.

##### 5.2.1. Evaluation process

The evaluation of responses must be:

- conducted in a fair, unbiased, and competent manner while maintaining confidentiality and probity (e.g. no evaluation of tenders received after the closing date/time. Should this issue arise, please contact PTV Procurement);
- based on the evaluation criteria; and

- conducted in accordance with the process documented in the 'Approval to Procure' form/evaluation plan and should:
  - involve an evaluation of the information submitted in the response/s submitted and responses to clarification questions only;
  - determine the capability of the supplier to meet the criteria;
  - identify potential risks;
  - assess the relative strengths and weaknesses of different suppliers; and
  - identify key issues which should be addressed in negotiations.

Unless otherwise identified in the approved evaluation plan, each response must be assessed for each criterion and the results integrated to produce a combined assessment. Stakeholders need to be involved in the evaluation, as they will be aware of operational issues that PTV Procurement will not be aware of.

### **5.2.2. Clarifications**

Where required, the evaluation panel should seek clarification to remove any doubt as to what is actually offered. This should be done as early in the evaluation process as possible and be in writing.

### **5.2.3. Communications with respondents**

Communication with respondents:

- must not indicate any degree of acceptance of any response;
- make it clear that other responses are also under consideration; and
- advise that if the respondent was to be successful, this will only be indicated by formal means.

## **5.3. Document Evaluation Process**

### **5.3.1. Evaluation documentation**

The evaluation process must be fully documented by the evaluation panel and kept on the contract file. This information will be relied on when writing up the 'Recommendation to Award' form and may also be used to audit the procurement process. Signed 'Conflicts of Interest' declarations, score sheets, evaluation panel minutes, cost analysis, reference checks etc. are some of the documents that will form part of the evaluation documentation.

### **5.3.2. Foreign exchange exposure**

Any foreign exchange exposure identified during the contract evaluation process must be reviewed by Finance, so that any decision on hedging can be made prior to execution of a contract.



### **5.3.3. Conduct due diligence checks**

This step is necessary in evaluating the risk in doing business with an entity prior to establishing a relationship.

Company searches are done to verify the company's registration with the Australian Securities and Investments Commission, the office and shareholders of the company and associated companies.

To ensure robust supplier validation, PTV Legal, Finance, and Procurement will be validating the suppliers via a software tool called 'Encompass'. Encompass allows users to conduct company and other searches, as well as to create diagrams based on those searches which show linkages between companies, individuals, and assets.

For long term/high risk contracts, ongoing due diligence checks may be required – this is the process of periodically evaluating each relationship to find links between current business relationships and ties to activities that may have a detrimental impact on PTV's reputation or linked to corruption. This process will be performed for as long as a relationship exists.

### **5.4. Recommending a supplier**

Having identified the best value-for-money option:

- for 'Transactional' procurements, proceed to finalise and sign the contract with the recommended supplier; and
- for 'Advanced Procurements', a 'Recommendation to Award' form must be completed and endorsed by PTV Procurement / CPO and approved by the budget owner and the financial delegate.

The above endorsements and approvals must be obtained prior to execution of any contract.

## C. ESTABLISH CONTRACT

### 6. Introduction

A contract can only be executed if relevant approvals have been obtained in accordance with paragraph 5.4 above.

Award contract	
Actions	<ul style="list-style-type: none"> <li>• communicate decision to the respondents; and</li> <li>• perform all tasks related to the finalisation of the contract.</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• signed contract;</li> <li>• letters to unsuccessful respondents and debriefings, if required;</li> <li>• update and maintain contract file; and</li> <li>• update CMS.</li> </ul>
Templates	<ul style="list-style-type: none"> <li>• letters to unsuccessful respondents.</li> </ul>

#### 6.1. Award contract

The awarding of the contract will involve the execution of the contract by both PTV and the successful supplier. Contracts can only be executed by the authorised officer (refer 'PTV delegations and authorisations' on PTV Intranet). Legal advice must be sought for any contracts that vary from the approved conditions of contract; also refer to PTV Intranet for details.

On contract execution, one copy of the original executed contract must be retained by the Project Manager / Contract Manager. All documents are to be registered in TRIM in accordance with appropriate record handling and retention processes.

##### 6.1.1. Establish contract in CMS

The contract registration process involves updating CMS from the current Procurement Number to a Contract Number.

The Business must create the CMS record in the system. Once a contract number is issued by CMS, it can now be updated with information on the vendor, details of the contract period including options to extend contract and any reminders such as expiry date of insurances etc.

##### 6.1.2. Create Contract File

A contract file should be created to maintain all documents, correspondence and notes relating to the contract. This file should be regularly updated and kept in order as it will be the source of all information relating to the procurement exercise. The contract file will be valuable source of information for developing future procurement strategies for similar needs and will also be used to manage or address any disputes that may arise in the future.



### **6.1.3. Receive security or bank guarantee**

Where the contract requires the provision of security, an Australian bank guarantee shall be taken for the due performance of a contract.

On receipt of a bank guarantee, the Project Manager / Contract Manager is to verify the form provided meets the requirements of the contract and may include verifying its authenticity with the originating bank. Once satisfied, the security is lodged immediately with PTV Legal. When providing the guarantee to PTV Legal, the contractor manager will ensure the contract number and the name of the responsible officer is recorded with the guarantee.

The security should be provided before any payments are made under the contract.

### **6.2. Advise unsuccessful respondents**

Immediately after the contract has been executed, the Project Manager / Contract Manager should notify all unsuccessful respondents in writing.

Should a decision be made to not award a contract, all respondents should be notified of this decision by letter.

### **6.3. Debrief unsuccessful respondents**

Any request for post-tender debriefing should, in the first instance, be referred to PTV Procurement who will assist in developing a debriefing strategy, including identification of the most appropriate PTV representative to conduct the debriefing. Only authorised officers may carry out post-tender debriefings of unsuccessful respondents.

Where a probity advisor was appointed, PTV Procurement may also require attendance of the probity advisor at debriefing sessions.

It is important to remember that when debriefing unsuccessful respondents:

- all information provided to a respondent can be justified;
- the discussion is being carried out for mutual long term benefits;
- ensure that the discussion is just about the response of the particular respondent; and
- a record of the debriefing meeting must be made by the Project Manager / Contract Manager and placed on the appropriate registered file. This record should not be sent to respondents.

The following information should be conveyed:

- PTV's key objective is to obtain VFM, that is, the highest evaluated response, not the lowest price response; and
- details as to the areas where the response fell short in comparison with the successful response.

The following information should not be conveyed:



- the commercial conditions (including pricing) of any other response or any details marked 'commercially sensitive' / 'commercial-in-confidence'; and
- any details of other unsuccessful responses, other than the name of the particular respondent.

Should a Freedom of Information application be received in respect of procurement matters, this should be referred to PTV Legal for advice and guidance.

## **6.4. Contract Disclosure**

PTV Procurement will:

- ensure contracts are disclosed in accordance with Government requirements; and
- enable the disclosure full contract information for contracts with an estimated value exceeding \$10 million (including GST) and will ensure only trade secrets or genuinely confidential business information will be withheld from voluntary disclosure, along with material which if disclosed would seriously harm the public interest.

## D. CONTRACT MANAGEMENT

### 7. Manage contract and supplier

#### 7.1. Introduction

The responsibility for the management of contracts rests with the relevant business unit. PTV Procurement is available to provide advice and guidance where required.

Managing the contract involves:

Manage contract and supplier	
Actions	<ul style="list-style-type: none"> <li>• identify the risks associated with the contract;</li> <li>• monitor and manage performance of the supplier in accordance with contracted performance measures/KPIs;</li> <li>• manage contract variations;</li> <li>• take receipt of goods or services procured;</li> <li>• make payment of goods, works and services delivered;</li> <li>• assess and exercise options; and</li> <li>• manage spend under contract review (actual amount spent against approved contract spend).</li> </ul>
Outcomes	<ul style="list-style-type: none"> <li>• successful delivery of goods, works and services procured;</li> <li>• payments verified and made in a timely manner;</li> <li>• desirable options exercised; and</li> <li>• contract variations managed.</li> </ul>

#### 7.2. Identify and manage risks

The risks to the management of individual contracts include:

Sources of risk	Examples of risk
Contract management capability	<ul style="list-style-type: none"> <li>• failure to have sufficiently skilled/experienced resources to effectively manage the contract;</li> <li>• underestimating the importance of contract management; and</li> <li>• failure to act on contractor underperformance.</li> </ul>
Contractor performance	<ul style="list-style-type: none"> <li>• failure to achieve contract deliverables, to the agreed quality standards;</li> <li>• failure to adhere to the agreed price;</li> <li>• failure to comply with all contract provisions (e.g. privacy, security, and recordkeeping); and</li> <li>• fraud and/or unethical conduct by the contractor.</li> </ul>
Changes in requirements	<ul style="list-style-type: none"> <li>• contract changes not dealt with as contract variations i.e. compliance with PTV approval process, legal compliance;</li> <li>• failure to reach agreement with supplier on variations to accommodate changes to PTV requirements; and</li> <li>• changes in circumstances not managed in a timely manner.</li> </ul>

Stakeholder relationships	<ul style="list-style-type: none"> <li>• stakeholders not consulted/kept informed about contract performance;</li> <li>• changes in stakeholder expectations not communicated to Contract Manager; and</li> <li>• differing and/or conflicting stakeholder expectations.</li> </ul>
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### 7.2.1. Contract management plan

A contract management plan is a useful tool to assist in managing and administering the contract, including help identify risks to the success of the contract. Much of the work required to develop the contract management plan can and should have been done at the time the contract was being developed, with the intensity of management reflective of the contracts status in the Complexity Quadrant Matrix (Figure 2). Leveraged and Transactional contracts require less management than Focused or Strategic contracts. The amount of management must be discussed between the Contract Manager and PTV Procurement. The plan should be routinely reviewed and updated.

## 7.3. Monitor supplier performance

### 7.3.1. Performance assessments

Relationship management underpins overall successful contract management. It is important to understand the background of the relationship and be aware of any problems/issues that may have arisen in the earlier stages of the procurement process.

The type of contract, its size and duration as well as the culture of the parties and the personalities of the people involved will influence the relationship between the parties. It is important to establish and maintain a constructive relationship and regular communication. Providing positive and constructive feedback will assist in maintaining such a relationship.

Supplier performance measurement should be assessed annually or if necessary, earlier for standing offer agreements and prior to the executing an option to extend the contract. For 'one off' contracts, performance should be reviewed at the end of the contract.

Conducting supplier performance measurement:

- provides an objective measure to ensure PTV gets what it is paying for on time and within budget;
- assists with supplier development and communication;
- identifies any performance problems early;
- creates and maintains a record on supplier performance for future use; and
- provides a benchmark from which to measure improvement.

Typical performance indicators include:

- quality;
- timeliness of delivery;
- customer relations;



- responsiveness to change;
- competitiveness;
- technical knowledge (if applicable);
- professional knowledge; and
- innovation.

An example of a supplier performance measurement matrix is given below:

KPI	Factors	Score
Delivery 35%	<ul style="list-style-type: none"> <li>• Have the goods, works and services been delivered on time?</li> <li>• Has goods, works and services been completed in full?</li> <li>• Are the goods, works and services delivered the correct items?</li> <li>• Has the work been completed to acceptable quality standards?</li> <li>• Have variations been kept to a minimum?</li> </ul>	1-10
Compliance 20%	<ul style="list-style-type: none"> <li>• Have contractual terms and conditions been complied with? To what extent have defaults occurred?</li> <li>• Has the supplier adhered to relevant OH&amp;S legislation?</li> <li>• Has the PTV environmental policy been complied with?</li> </ul>	1-10
Cost 35%	<ul style="list-style-type: none"> <li>• Has the work been delivered with the lowest possible overall cost? I.e. have non-cost factors impacted on price?</li> <li>• Did the supplier adhere to the required specifications?</li> </ul>	1-10
Relationship 10%	<ul style="list-style-type: none"> <li>• Did the supplier seek to unreasonably claim payments? Did PTV have to apply liquidated damages?</li> <li>• Has the company threatened or instigated industrial disputes or union involvement?</li> <li>• Was the business relationship enhanced during the project?</li> <li>• Was the supplier's contribution to the project under the prescribed budget?</li> <li>• Were innovative solutions provided that added value to the project and may add value to future projects?</li> </ul>	1-10

Input should be sought from end users and stakeholders when conducting supplier performance measurement. In some cases, it may be appropriate for the Contract Manager and supplier to conduct the rating jointly; this encourages the supplier's involvement in monitoring their own performance and reduces the likelihood of disputes when ratings are discussed.

Supplier performance measurement should be communicated and contract review meetings should be held with the supplier to consider the results and agree action plans, where necessary, for improving performance.

Assessing performance should be a two way process. Having a mechanism for suppliers to assess PTV means PTV has a mechanism to improve purchasing performance and enables the supplier to provide feedback to PTV.

A systematic approach to recordkeeping at the beginning of a procurement process and throughout the contract will:

- provide evidence of business conducted and decisions made; and
- manage legal and other risks.

As such, good record keeping is an integral part of contract management. All records that are created and received in conducting procurement activity, whether paper based or electronic, should be captured in TRIM in accordance with existing policies and procedures.

### **7.3.2. Escalations**

Disputes and escalations should be referred to the PTV Procurement team in relation to Contract Management issues.

## **7.4. Manage contract and monitor performance**

Keeping communications between PTV and the supplier open and constructive should assist in preventing problems arising and also with resolving them in a timely manner should they arise. Having a constructive relationship will assist the effective management of performance and under-performance. Maintaining a good relationship will enable issues to be resolved in a cooperative manner.

A well-defined contract management strategy will address issues such as:

- performance measures, performance monitoring , unsatisfactory performance and disputes;
- inspection and testing;
- payment;
- disengagement procedures;
- communications with the supplier, the client and other stakeholders;
- record management; and
- transition arrangements.

When developing the contract management strategy, it is important to consider the terms of the contract. In developing strategies for managing these issues the Contract Manager should consider factors such as:

- the value and importance of the contract to the organisation;
- the degree of risk;
- the capabilities of the supplier; and
- the resource implications of the management strategy.



#### **7.4.1. Contract variations**

A contract variation is an agreed change to a term/s of the contract (or its scope). As such it is important to review any proposed change within the context of the whole contract and assess if the proposed change will impact other terms and conditions of the contract or introduce any new risks to the contractual relationship. This assessment should be carried out by the Contract Manager with the involvement of key stakeholders and specialists in the area of Procurement and PTV Legal.

Once the variation has been appropriately assessed and prepared for implementation, it must be approved by the authorised financial delegate, through the use of a Variation to Contract form (except for Franchisee Agreements, where financial delegate approval is via memo). This process is not required when the variation has no financial impact on PTV. The approving financial delegate must approve the entire aggregate value of the contract, not just the value of the additional spend.

A contract variation letter must be created by PTV Legal whenever a variation to the contract is required, and signed by the supplier.

#### **7.4.2. Increase to the value of the contract**

In instances where PTV has the need to purchase more items under the contract than what was originally planned or approved in the 'Recommendation to Award' process, the following endorsement process must be followed:

- where the increase in requirement does not result in an increase in approved value of the contract – PTV Procurement endorsement is not required prior to approval by the financial delegate; and
- where the increase in requirement exceeds the approved value of the contract documented in the 'Recommendation to Award' form – PTV Procurement endorsement must be obtained prior to approval by financial delegate. A 'Variation to Contract' form must be completed.

Note: variations based on clear criteria agreed to in the original contract (such latent conditions, price variations) do not require these endorsements prior to approval.

When reviewing contract variations, the Contract Manager will:

- justify/provide a valid reason for variation under the contract (relative to the original scope of the contract; and within the conditions governing the contract (e.g. time bars for notification of variation claims);
- include an assessment of the performance of the supplier;
- assess and justify the reasonableness of the value of the variation (e.g. is the basis for the price variation based on rates in the contract, if not, what is the basis and is it reasonable);
- prepare justification in sufficient time to allow for the required endorsements/approvals to be obtained; and
- once approved, advise the supplier of acceptance or rejection of any contract variation writing and in accordance with the terms of the contract. If the variation is rejected, advise the reasons for the rejection (seek assistance from PTV Procurement).



### **7.4.3. Contract Spend Review**

The Contract Manager is responsible for ensuring that contract spend does not exceed the approved value.

The Contract Manager is required to conduct regular reviews of spend against all contracts under their management, including:

- actual commitments against approved contract value; and
- forecast expenditure until contract expiry.

To allow payments to be made against a contract, a purchase order must be raised for each separate requirement under the contract.

PTV Procurement will monitor emerging risks associated with contract spend through interrogation and reporting on CMS and Oracle information (e.g. purchase orders) using a range of analytical tools.

## **7.5. Managing claims for payment**

Goods must be checked for quantity and quality on delivery and the goods delivery note signed and dated. Any faulty goods should be returned to suppliers using the supplier returns procedure.

Any services that are received will be authorised through the relevant business area and the use of supplier timesheets, work completion documents or cost tracking reports.

All goods received by PTV must be immediately receipted against the appropriate purchase order in Oracle. All services received by PTV must be receipted as soon as the correctly rendered invoice is approved by the nominated Contract Manager. Suppliers must be directed to include the PTV purchase order number on their invoice to facilitate this process.

Approval of supplier payments can only be made according to the authority levels for ordering goods, works and services. Invoices will only be paid following appropriate approval and provided that there is sufficient funds available under the contract.

## **7.6. Pay supplier**

### **7.6.1. Payment of creditors**

Settlement of creditors' claims for payment arising from contracts, or purchase orders placed, will be in accordance with the terms of the contract. Care should be taken to ensure that all discounts (including discounts for prompt payment) are not foregone.

Note: standard Victorian government payment terms are 30 days from receipt of a correctly rendered invoice.

If an invoice is received late as a result of being wrongly addressed, the supplier should be notified immediately.

If an amount on an invoice has been disputed, the supplier and PTV's Accounts Payable staff should be notified immediately. The disputed amount will not be paid until the dispute has been resolved.

Payment of suppliers will be made upon complete provision of goods, works and services (unless there is an express provision for stage payments). To allow PTV Finance Operations sufficient time to process payment of invoices, ensure that approved invoices are hand delivered to PTV Financial Operations at least 5 business days before the expiration of 30 days (or earlier if required under the terms of the contract). Payment of invoices should comply with PTV requirements.

## **7.7. Assess Options**

An option is a legal right within a contract or standing offer deed (panel) arrangement to unilaterally extend the term of the contract or panel by a specified period. Changes not provided for in the contract are variations (as opposed to an option).

Where an option is provided for in the contract, that option may be executed with the approval of an appropriate authorised delegate in accordance with the PTV delegations policy.

### **7.7.1. Exercising options for contract extension**

Key issues to consider when deciding to exercise an option to extend a contract include:

- the comparative VFM of exercising the option and continuing the contract versus re-approaching the market under a new procurement process, including the costs of tendering;
- the performance of the supplier and the management of the contract;
- the timeframes involved (e.g. is there sufficient time to run a new procurement process?);
- the current market conditions; and
- the changing needs or requirements of PTV (since the commencement of the contract).

Where a decision has been made to exercise the option to extend the contract, it must be managed in accordance with the terms of the contract i.e. by notifying the other party of the intention to exercise the option.

Tip: consider possible contract extensions at least six months before the contract end date to allow sufficient time to consult with relevant stakeholders, conduct a VFM assessment and go out to the market if required.

## **7.8. Evaluate contract and lessons learned**

Contract evaluation should encompass the overall performance of the contract and PTV'S management of the contract. The evaluation of the operation of the contract and of contract outcomes can be very useful in understanding and improving the practice of contract management, improving supplier performance, and can assist in future stakeholder decision-making. An evaluation should be undertaken at the end of all contracts and should be planned for in advance.



When a transition from one contract to another is to occur, it is advisable to conduct an evaluation before the contract ends so that any problems with the contractual arrangement are identified and improvements made in the future contractual arrangements.

Some things to consider when developing the (contract) evaluation plan are:

- an evaluation plan that sets out clear terms of reference, sources of data collection and analysis, clear timeframes and reporting arrangements;
- conclusions of the evaluation need to be supported by the data; and
- recommendations that provide an indication of their likely benefits.

The evaluation should be a thorough and objective review that is informed by those involved in establishing, using and managing the contract.

To get the best out of the evaluation, the Contract Manager should:

- review all aspects of contract performance and its management;
- provide feedback to the contractor;
- report to stakeholders; and
- identify lessons learned.

The following sources of information may be used to inform the evaluation – meeting notes/minutes; performance data; interviews with management and the supplier; stakeholder and end-user feedback; quality assurance reports; complaints and history of resolution; and reports of any disputes.

The findings of any evaluation should be analysed:

- to provide lessons learned to inform both continuing and future contracting activity; and
- documented and provided to the appropriate parties.

## **7.9. Contract completed**

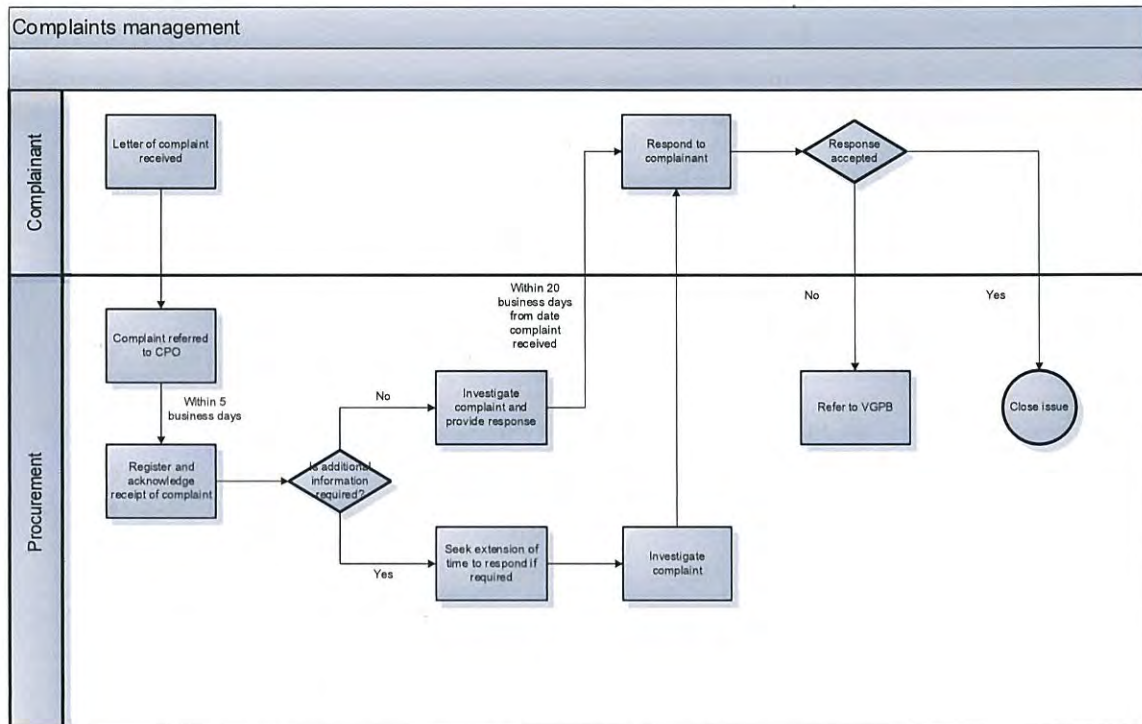
Upon completion of a contract, security may be released only when it has been established that the contractor has complied with all conditions of the contract, including, without exclusion to other rights and remedies of PTV, the contractor's obligations against defects liability and warranties. The release of security deposits should not be unduly delayed.



## E. COMPLAINTS

### 8. Complaints management

PTV's complaints management system provides suppliers with a mechanism to raise complaints. The process will be managed in a fair, consistent and transparent manner, including where appropriate, consultation with Probity:



## 9. Glossary

CMS	Contracts Management System.
CPO	Chief Procurement Officer.
Expression of Interest (EOI)	<p>Used mainly when there is no solid idea on the type of product or service required (e.g. the business may have a high level understanding of the business problem or requirements, or type of product required, but are unsure of the market's ability or desire to meet the need). An EOI may provide some additional information to enable some procurement decisions.</p> <p>Suppliers shortlisted by an EOI may progress to a RFT (Request for Tender).</p>
Invitation document	Documents to be issued to the market to respond (the EOI/RFP/RFT including the specification, contract terms and conditions and response schedules).
Request for Proposal (RFP)	Used when there is a clear understanding of the business problem or need and is aware that there are potential options available in the market, but is open to suggestions for solutions to their problem. Often used where the exact physical deliverables cannot be defined or where there are multiple solutions to a business problem.
Request for Quote (RFQ)	<p>A project brief may be prepared and released to market participants and responses will be evaluated in accordance with the published evaluation criteria.</p> <p>The responses shortlisted from this process may progress a second stage with applicants requested to submit responses under a RFT process. Responses will be formally evaluated in accordance with the evaluation plan.</p>

## Appendix 1 – RACI (Responsible, Accountable, Consulted, Informed) – Advanced Procurement

The following table provides an outline of the main tasks in the procurement lifecycle, together with the roles for the Business, PTV Procurement and PTV Legal.

‘Advanced Procurement’ can either be led by the business (Procurement Engagement) or by the Procurement team (Procurement Led). This is decided by PTV Procurement using a Complexity Assessment. For some activities, the RACI will change depending on who is leading the activity.

Activity	Business	Procurement	Legal
<b>Preparing to engage the market</b>			
Stakeholder mapping	A	R/C	
Preparing the ‘Approval to Procure’ form	R/A	C	
Preparing specifications	R/A	C	
Selecting the sourcing strategy	A/C	R	
<b>Engaging the Market</b>			
Evaluation criteria	R/A	C	
Invitation letter and documents			
Procurement Engagement:	R	A/C	
Procurement Led:	C	R/A	
Evaluation Plan			
Procurement Engagement:	R/A (Summary)	C	
Procurement Led:	C	R/A	
Liaison with suppliers			
Procurement Engagement:	R	C	
Procurement Led:	C	R	
<b>Evaluation</b>			
Clarifications			
Procurement Engagement:	A/R	C	
Procurement Led:	A	R	
Evaluating submissions	R/A	R/C	
Negotiation			
Procurement Engagement:	R/A	C	
Procurement Led:	R/C	R	
Prepare the evaluation report			
Procurement Engagement:	R/A (Summary)	C	
Procurement Led:	C	R/A	
Due Diligence (Encompass, etc)			
Procurement Engagement:			R
Procurement Led:		R	
Prepare the Recommendation to Award (RTA)	R/A	C	
<b>Post Award</b>			
Preparing the Contract			
- Terms and Conditions (T&Cs)	R		C
- Schedules	R		
Debrief suppliers	R	A/R	



Activity	Business	Procurement	Legal
Record Keeping	R/A		
Creation of CMS Record	R/A		
Contract Management	R/A		
Spend and Contract Reporting		R/A	
Conduct Lessons Learned document	R	C	C

Table 3. RACI

NOTES: 'Responsible' (R) for the carrying out of the activity, 'Accountable' (A) for ensuring the task is carried out, 'Consulted' (C) of the procurement activity, 'Informed' (I) of the procurement activity.



## **ANNEXURE 4**

### **PTV 'LESSONS LEARNT' PRESENTATION (REDACTED)**





# Operation Fitzroy – Sharing the lessons learnt





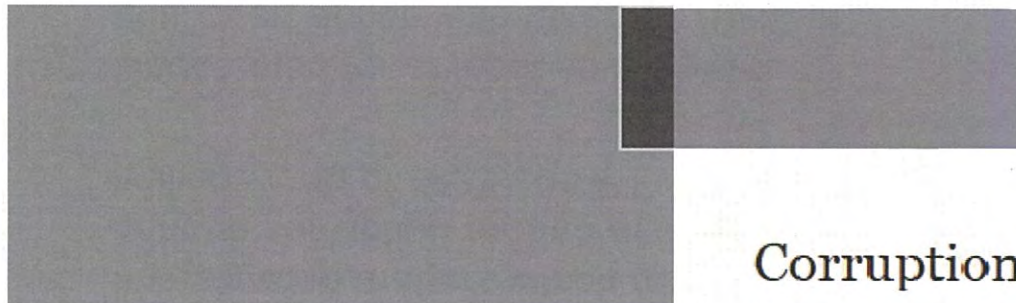
## Agenda

- > Welcome and Introduction
  - > Operation Fitzroy
  - > The Background and Investigation Process
  - > Key Findings and Lessons Learnt
  - > Moving Forward
  - > Final Summary
  - > Questions

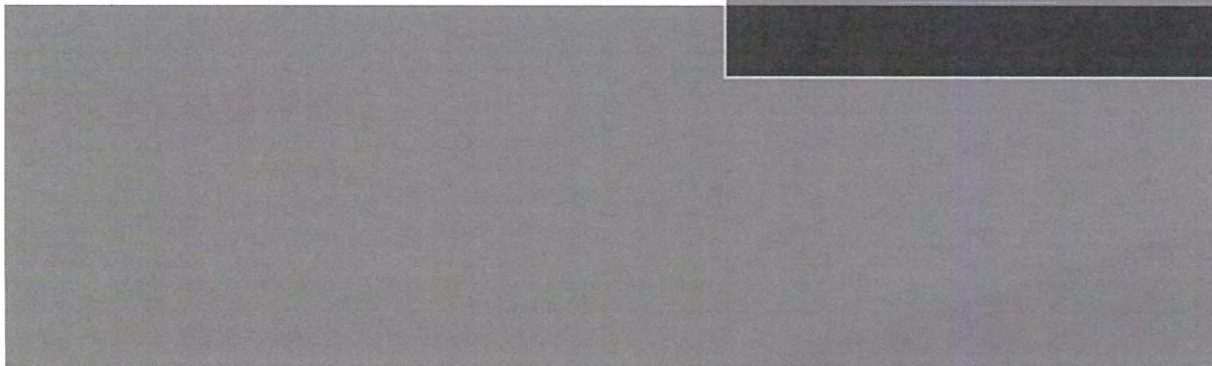
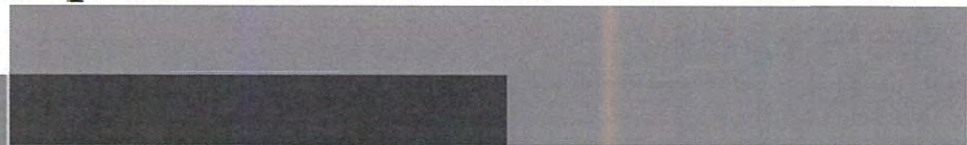


## Operation Fitzroy

Public the biggest losers in corruption case, IBAC chief says

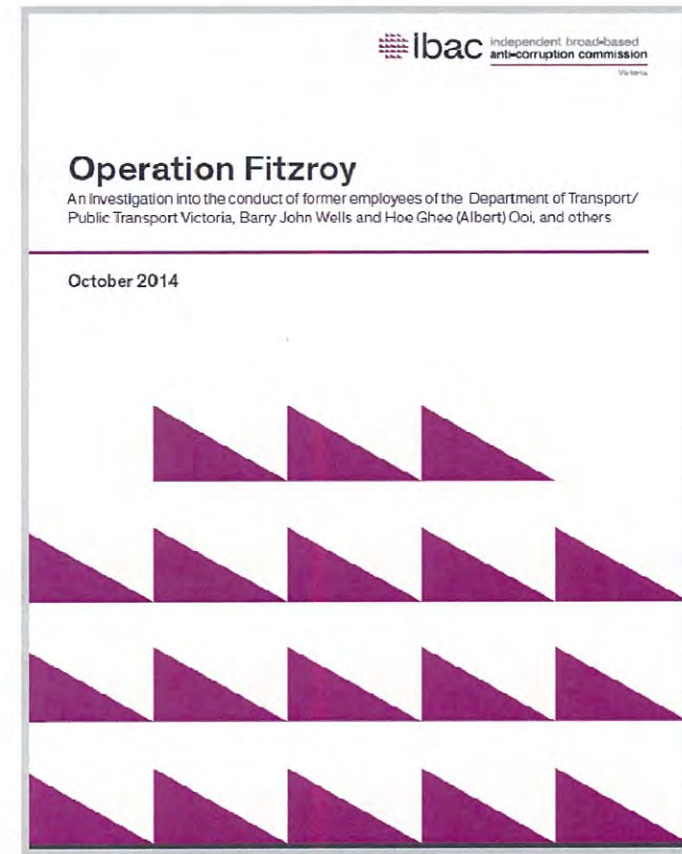


Corruption watchdog investigates Transport Department



## Background

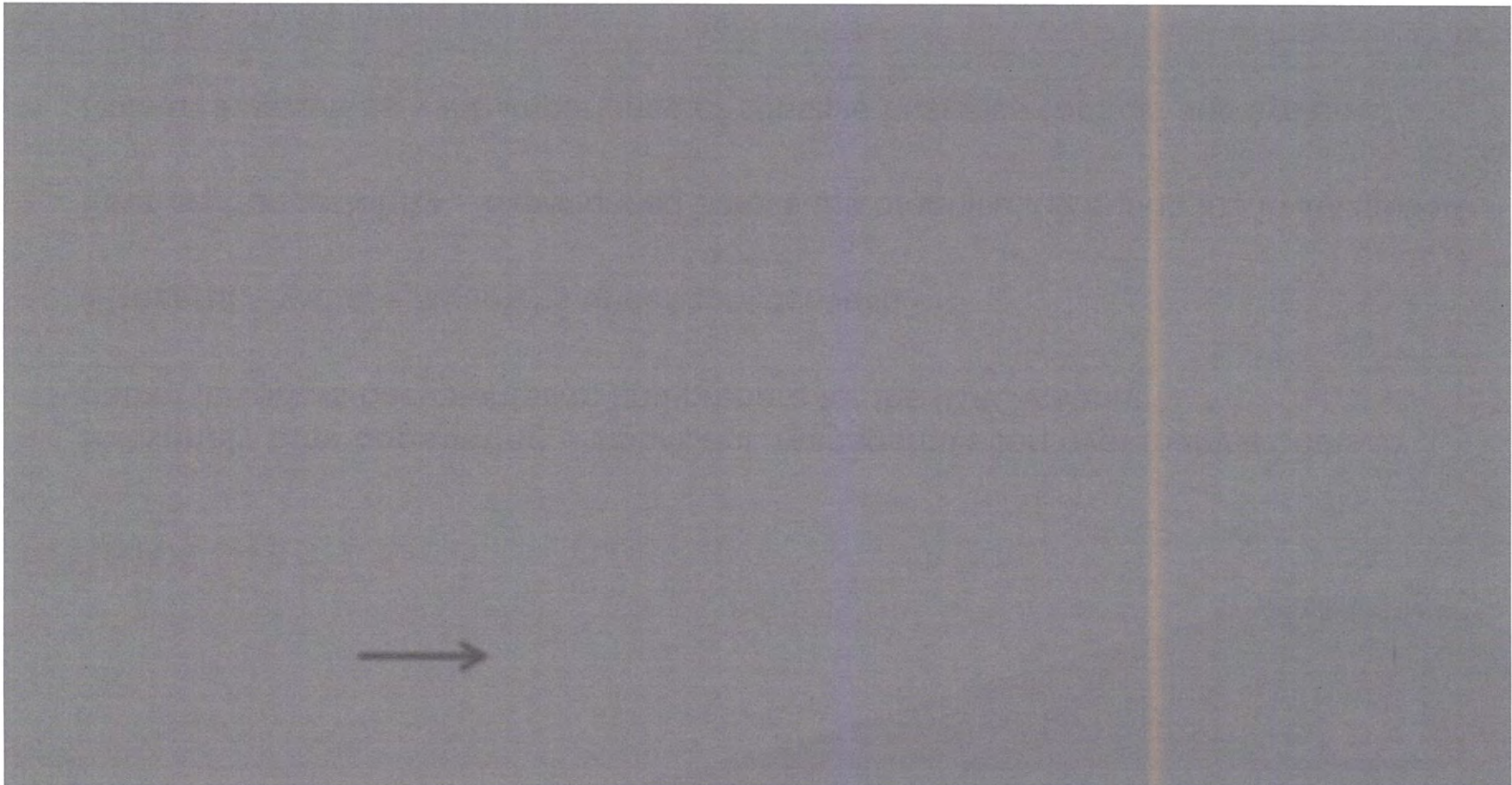
- > Initiated by IBAC in September 2013
- > Investigated matters which revealed serious corruption around at least \$25 million worth of DOT and PTV contracts
- > Undetected for at least seven years until overt action was taken by IBAC in late 2013
- > Occurred largely because of poor controls, an organisational culture with pockets of non-compliance, and inadequate supervision across DOT and PTV





## The investigation

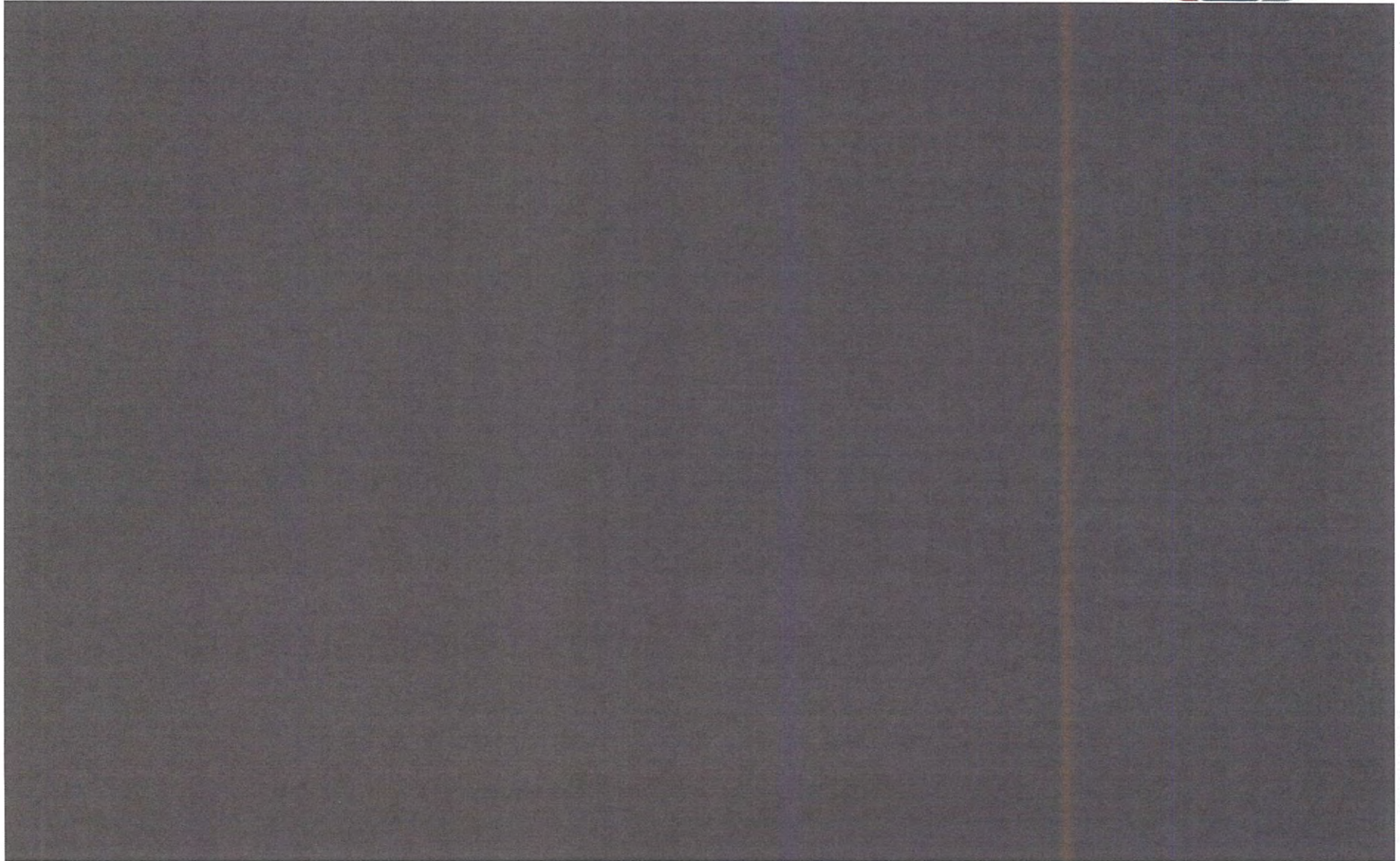
- > Undertaken as a formal investigation under subsection 60(1)(c) of the IBAC Act





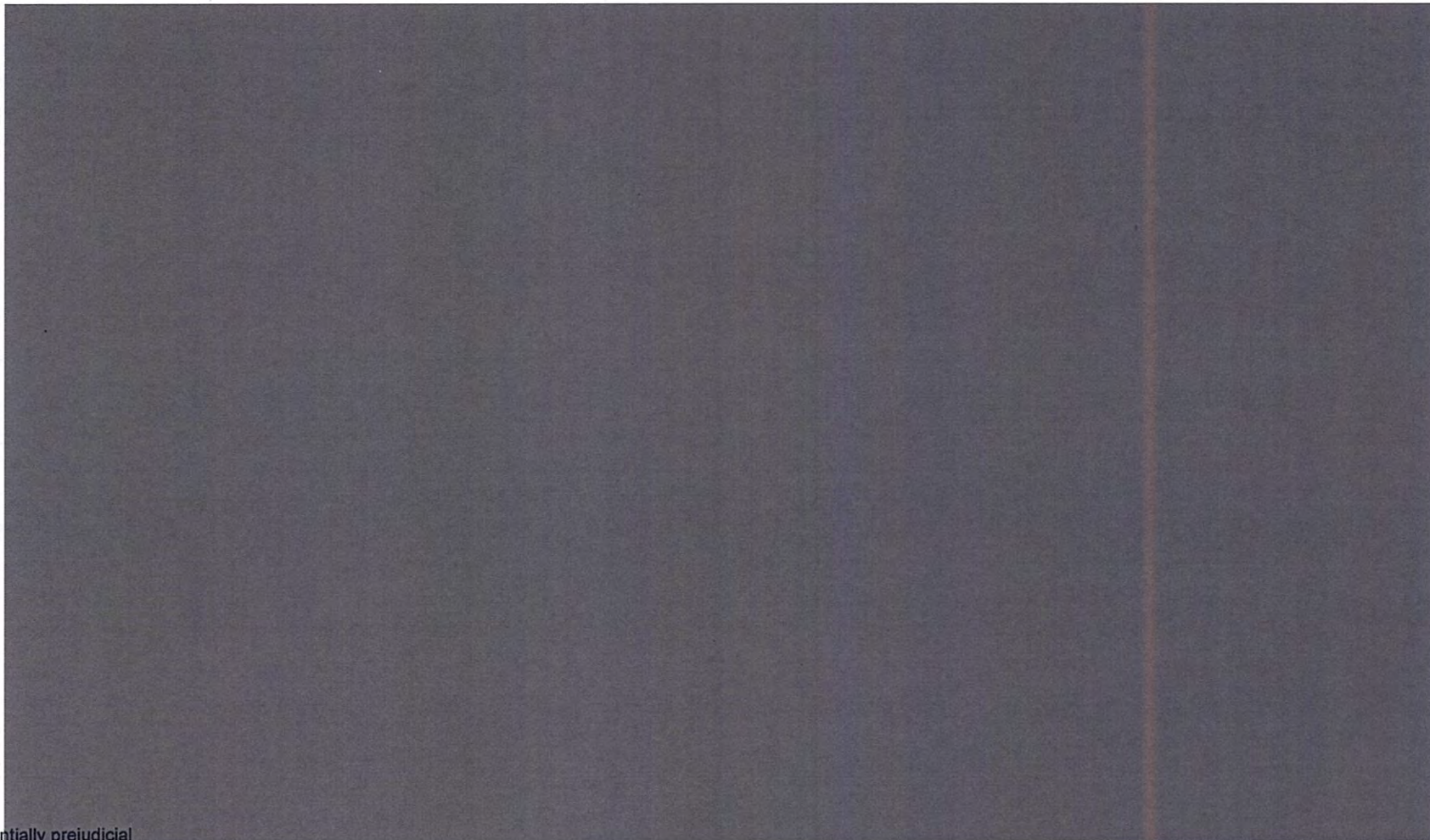
## Impact on PTV

- > **Extremely time consuming** – significant managerial effort over many months to gather important documentation and prepare for the IBAC hearing
- > **Stressful** – witness summons under confidentiality
- > **Fear and uncertainty** – experienced across the organisation during the investigation
- > **Raised awareness** – the importance of effective business controls and systems
- > **Culture** – Don't ignore red flags
- > **Negative publicity and reputation** – perception across both internal and external stakeholders





**Involved a network of multiple entities**

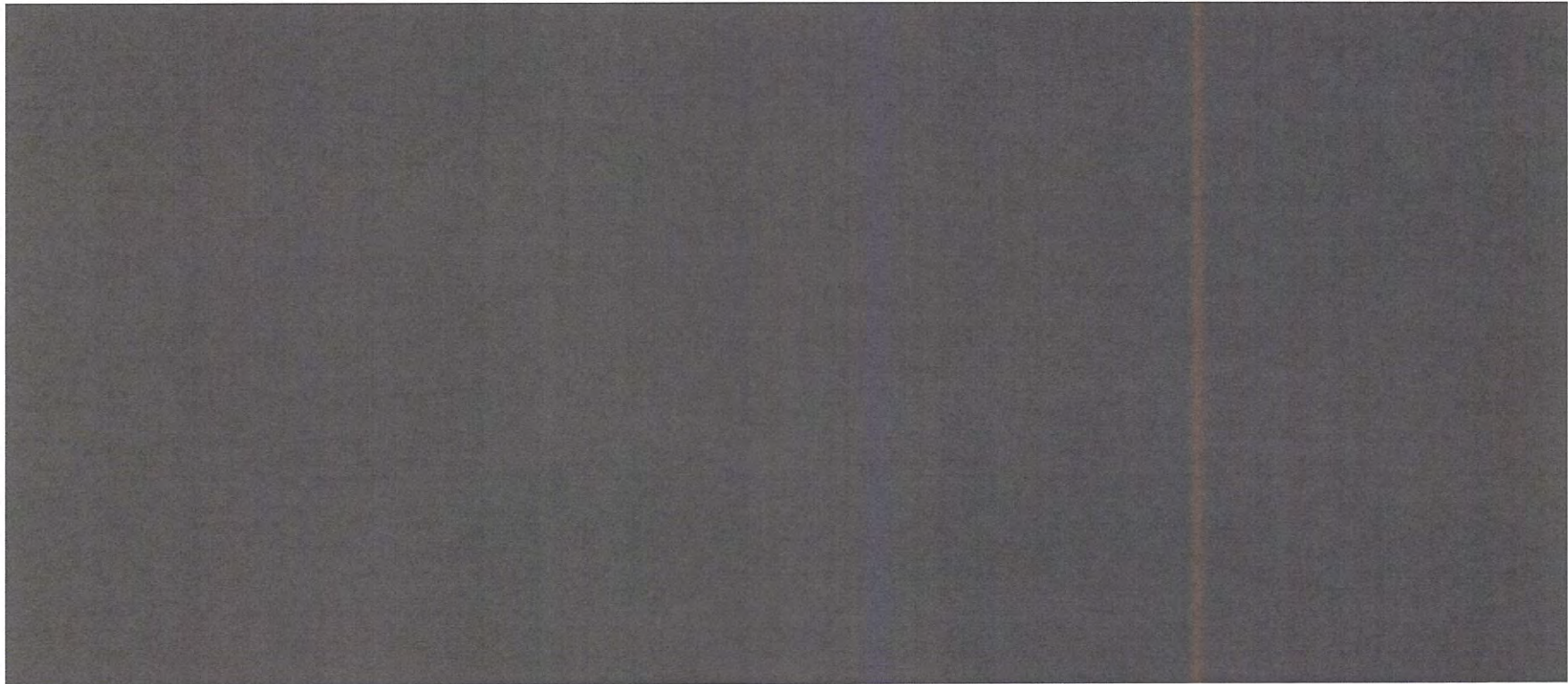




## Key Findings



## Manipulation of procurement processes





## Poor controls and training

- > Reluctance to fully investigate or adequately discipline instances of irregular conduct
- > Under-resourced procurement function
- > Procurement policies not actively supported by management
- > Staff members not trained to assess fraud and corruption risks
- > Confusing and overlapping business policies
- > Rich data to mine information but lack of awareness about what to actually look for



## Organisational culture of non-compliance

- > Historic cultural issues
- > Internal complaints processes not clear

**‘...process was getting in the way and the large volume of work had to be done, so it was almost bypassing the process to expedite the works’.**

**‘this is how we have always done business around here’**

*‘...(don’t) bend or break any of the rules too much, and if we did, don’t worry about it and just achieve the result, make it happen’.*

***‘(he) got the job done and cut a few corners’***

**a ‘clubby environment’ with its own unwritten rules and values**

## Insufficient procedural controls

- > Tick and flick approach – full document trail not always sighted
- > Approval processes followed but this did not focus on supplier patterns
- > No delineation of controls
- > Segregation of duties unclear

## Audit processes

- > Audit and risk management generally focussed on fraud, not corruption
- > Limited sharing of information from external audits
- > Looking at the wrong things/ not knowing what to look for
- > Relationship to audit and risk functions



## Lack of visibility across organisations

- > Information often taken at face value with limited due diligence or checks
- > Information not shared with other divisions, departments or across the public sector
- > Many people may have part of the picture but not the full picture
- > Policies and functions not joined up (e.g. how does procurement link to recruitment screening, declarable associations, gifts and benefits etc.)

## Lack of management accountability

- > Irregular conduct brought to the attention of management but not always fully investigated
- > Need to proactively look for irregular conduct

*'DOT/PTV staff previously did not see it as their job to pursue patterns of irregular conduct. They were not encouraged to do so, they were not resourced to do so. That must now change.'*

*– PTV CEO Mark Wild*



# Moving forward – Post IBAC...



Leading a customer focused PT network in an integrated safe and sustainable way that enables an inclusive, prosperous and environmentally responsible Victoria.

OUR  
PURPOSE

Transform our customers' experience through knowledge, partnerships and innovation to drive a significant increase in public transport use by 2020.

OUR  
STRATEGIC  
INTENT

To provide a public transport service Victorians value and choose to use.

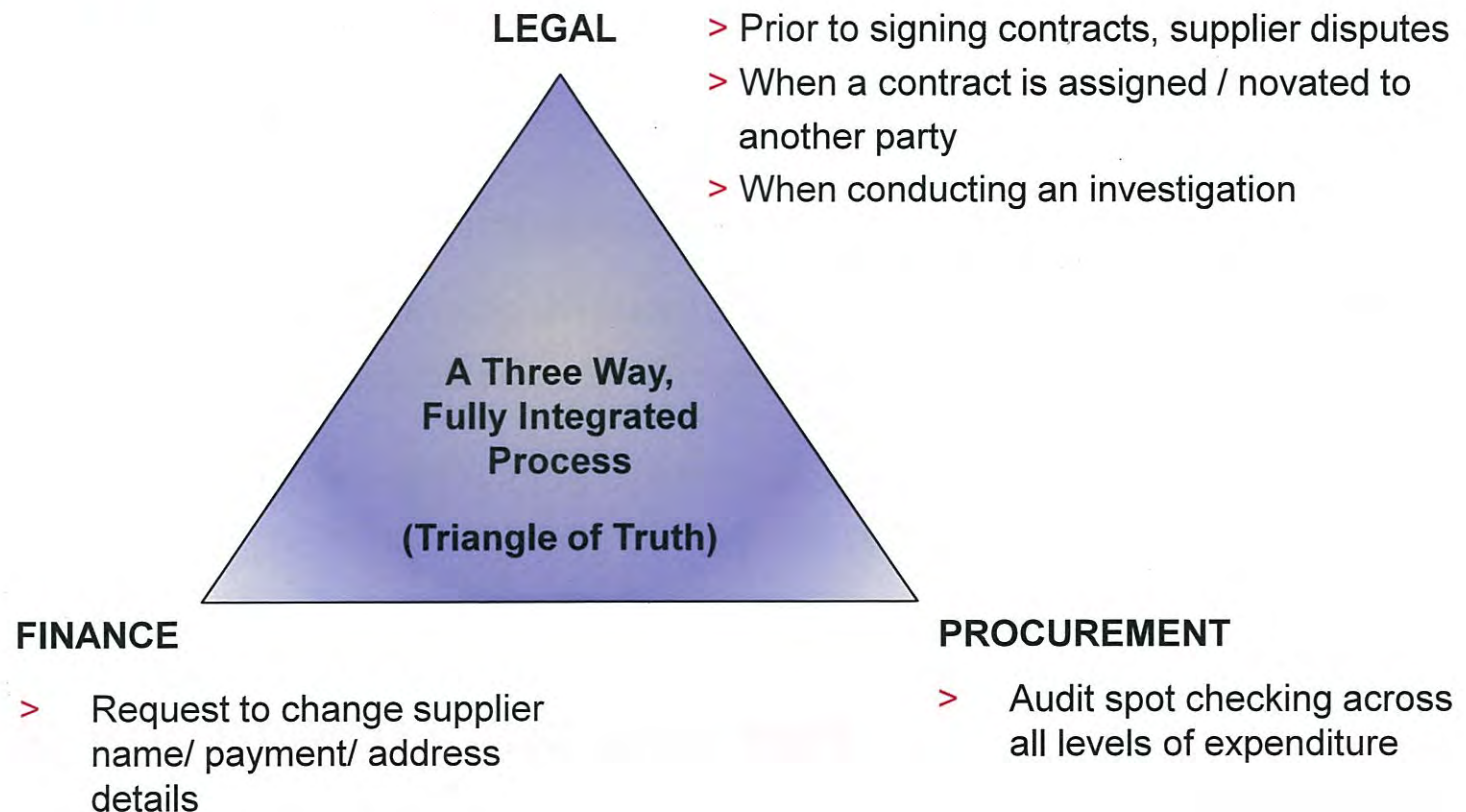
OUR VISION



## Fraud and corruption improvements

- > Fraud & corruption policy review and risk assessment
- > Awareness training deployed across the whole organisation
  - Updated fraud and corruption control plan (policy and procedure)
    - What is your role and where to report any suspicions, allegations or concerns
- > Developed a fraud & corruption response procedure
- > Conflict of interest declarations across all staff

## Robust supplier validation





## Procurement Reform - key changes



## Final summary

- > Never ignore red flags
- > Organisation culture and core values are always key
- > Regular reporting and monitoring are necessary measures to drive compliance
- > Ongoing training for all staff/contractors regarding policies, procedures and associated corruption risks
- > Controls to ensure suppliers have the requisite skills and financial viability to deliver the required goods/works and services
- > Process for regularly screening employees/contractors to highlight conflicts of interest
- > Understand your supply chain, in particular sub contracting arrangements

## **ANNEXURE 5**

**PTV FRAUD AND CORRUPTION CONTROL PLAN (POLICY & PROCEDURE) [REDACTED]**





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## 1. General

### 1.1 Introduction

PTV is committed to maintaining high standards of ethical conduct but recognises that fraud or corruption can occur even in an organisation such as PTV that aims for high standards of legal, ethical and moral behaviour. Accordingly, this Plan has been developed to mitigate the risks to PTV of fraud and corruption and how PTV is to respond and recover where instances arise.

Under the *Financial Management Act 2004* ('FM Act'), there are *Standing Directions of the Minister for Finance* ('Directions') which require monitoring and reporting of instances of thefts and losses. These requirements are specifically outlined (Direction 4.5.4). This Direction is supplemented by a set of rules to assist agencies in meeting these requirements and has been incorporated into the Plan.

There are other legislative and governance requirements to which PTV needs to comply. For example, the *Code of Conduct for Victorian Public Sector Employees*, the *Public Administration Act 2004* ('PA Act'), the *Public Sector Management and Employment 1998 Act*, the *Independent Broad-based Anti-corruption Commission Act 2011* ('IBAC Act'), and the *Protected Disclosure Act 2012* ('PD Act') which replaced the *Whistleblower Protection Act 2001*.

### 1.2 Purpose

This *Fraud and Corruption Control Plan (Policy and Procedures)* ('FCCP' or 'Plan') outlines the mechanisms for preventing and detecting fraud and corruption and responding to any instances if they occur. It explains fraud and corruption so that employees, contractors, and consultants can recognise the warning signs.

The objectives of this Plan are to:

- Confirm senior management's responsibility and accountability for:
  - Putting measures in place to identify exposure to any risk of fraudulent and corrupt activities; and
  - Establishing, maintaining or enhancing PTV's system of internal controls and procedures for preventing and detecting such activities.
- Reinforce that employees, contractors, and consultants are not to participate in fraudulent and corrupt activities or improper conduct;
- Mandate the reporting of any such activities;
- Ensure that all employees, contractors, and consultants are aware of their responsibilities regarding their own ethical conduct; and
- Put in place regular fraud and corruption risk assessments and implement prompt and appropriate responses to any suspected fraudulent or corrupt activity, or such risk assessments.

### 1.3 Scope

The FCCP applies to all PTV employees, contractors, and consultants and complements PTV's *Code of Conduct Policy and Principles*.

PTV adopts the definitions of 'fraud' and 'corruption' from *Australian Standard (AS) 8001 – 2008 Fraud and Corruption Control* ('AS 8001 – 2008').

This Plan is to be maintained by the Fraud and Corruption Control Officer ('FCCO') (see later in this Plan) who will ensure that this Plan is reviewed annually with appropriate input by the PTV Audit and Risk Committee ('Committee') for its ongoing effectiveness at



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PTV. The Plan also requires endorsement by the Chief Executive Officer ('CEO') and the PTV Board of Directors ('Board').

## 1.4 Definitions

### 1.4.1 Bribe

Bribe<sup>1</sup> – is the act of paying a secret commission to another individual. It is also used to describe the secret commission itself.

### 1.4.2 Control (also 'internal control')

Control<sup>2</sup> – is an existing process, policy, device, practice or other action that acts to minimise negative risks or enhance positive opportunities.

### 1.4.3 Corruption

Corruption<sup>3</sup> – is a dishonest activity where a director, executive, manager, employee, contractor or consultant of PTV acts contrary to the interests of PTV and abuses his/her position of trust in order to achieve some personal gain or advantage for PTV, him or herself or any other entity. The concept of corruption within this standard can also involve corrupt conduct by the entity, or a person purporting to act on behalf of and in the interests of the entity, in order to secure some form of improper advantage for the entity either directly or indirectly.

### 1.4.4 Entity

Entity<sup>4</sup> – is a corporation, government agency, not-for-profit organisation or other entity engaged in business activity or transacting with other entities in a business-like setting.

### 1.4.5 Effective (*in the context of internal control effectiveness*)

Effective (*in the context of internal control effectiveness*)<sup>5</sup> – is one that is considered to be effective in preventing or detecting fraud or corruption and therefore contributes to enabling PTV to achieve its overall goals and objectives.

### 1.4.6 Fraud

Fraud<sup>6</sup> – is dishonest activity causing actual or potential financial loss to PTV, any person or any other entity including theft of money or other property by employees or persons external to PTV and where deception is used immediately before or immediately following the activity. This also includes the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose or improper use of information or position for personal financial benefit. The theft of property belonging to PTV by a person or persons internal to PTV but where deception is not used is also considered fraud.

### 1.4.7 Improper conduct

Improper conduct<sup>7</sup> – is defined to mean corrupt conduct or specified conduct.

The Independent Broad-based Anti-corruption Commission's ('IBAC') *Guidelines for making and handling protected disclosures*<sup>8</sup> set out that the types of improper conduct of

<sup>1</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>2</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>3</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>4</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>5</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>6</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>7</sup> *Protected Disclosure Act 2012*, Section 4

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a public body or public official (e.g., Victorian public sector employees) may include one or more of the following:

- Dishonest performance of public functions;
- Knowingly or recklessly breaching public trust;
- Misuse of information obtained in an official capacity;
- A conspiracy to commit or attempt to commit the above conduct;
- Substantial mismanagement of public resources;
- Substantial risk to public health or safety, or to the environment;
- Injury, loss, or damage;
- Intimidation, harassment or discrimination; and
- Action that adversely affects employment/business.

## 1.4.8 Investigation

Investigation<sup>9</sup> – is a search for evidence connecting or tending to connect a person (either a natural person or a body corporate) with conduct that infringes the criminal law or the policies and standards set by PTV.

## 1.4.9 Protected Disclosure

Protected disclosure<sup>10</sup> – is a report made by a person about improper conduct of public bodies or public officers to any of the organisations specified (e.g., IBAC). A disclosure can also be made about detrimental action against a person by public bodies or public officers in reprisal for the making of a protected disclosure by any person. A complaint or allegation that is already in the public domain will not normally be a protected disclosure.

## 1.4.10 Secret Commission

Secret Commission<sup>11</sup> - A payment in money or in kind which will or is intended to cause a person to act in a way that is contrary to the interests of PTV, is contrary to the PTV's policy on a given issue or is against the public interest. Secret commissions, by definition, will typically be paid without the knowledge or express or implicit agreement of PTV and include payments intended to influence the outcome of a specific action or event as well as the actions generally over a period of time.

## 1.4.11 Examples of Fraud and Corruption

Fraud and corruption can include, but is not limited to<sup>12</sup>:

**Table 1: Examples of fraud, corruption and improper conduct**

Type of Fraud	Examples
Ticketing (myki) fraud	<ul style="list-style-type: none"><li>• Skimming and theft of revenue</li></ul>
Procurement fraud <sup>13</sup>	<ul style="list-style-type: none"><li>• Bid rigging</li><li>• Conflicts of interest with suppliers</li></ul>

<sup>8</sup> Refer to: [www.ibac.vic.gov.au/docs/default-source/guidelines/guidelines-for-making-and-handling-protected-disclosures-june-2013.pdf?sfvrsn=2](http://www.ibac.vic.gov.au/docs/default-source/guidelines/guidelines-for-making-and-handling-protected-disclosures-june-2013.pdf?sfvrsn=2)

<sup>9</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>10</sup> *Protected Disclosure Act 2012*, Section 3 and Part 2

<sup>11</sup> Australian Standard AS8001 - 2008 *Fraud and Corruption Control*

<sup>12</sup> Association of Certified Fraud Examiners ('ACFE') *Report to the Nations 2014*

<sup>13</sup> Transparency International's *Procurement Anti-corruption Handbook*

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Type of Fraud	Examples
	<ul style="list-style-type: none"> <li>Kickbacks</li> <li>Unauthorised gifts and favours</li> </ul>
Security breach of systems, data and documents	<ul style="list-style-type: none"> <li>Unauthorised release/use of data and documents</li> <li>Fraudulent, corrupt or intentional privacy breaches</li> </ul>
Corruption	<ul style="list-style-type: none"> <li>Abuse of power or breach of legislation</li> </ul>
Payroll fraud	<ul style="list-style-type: none"> <li>Timesheet fraud such as an employee claiming for hours not worked</li> <li>Ghost employees</li> </ul>
Financial statement fraud	<ul style="list-style-type: none"> <li>Overstating assets/understating liabilities</li> <li>Timing differences</li> <li>Fictitious revenues such as budget manipulation</li> <li>Concealed liabilities</li> </ul>
Insider information trading fraud	<ul style="list-style-type: none"> <li>Unauthorised release of market sensitive information such as public transport routes or new services that can have a positive impact on property prices</li> </ul>
Accounts payable fraud	<ul style="list-style-type: none"> <li>Billing fraud such as billing by unauthorised vendor and personal purchases</li> <li>Cheque tampering such as forged maker, forged endorsements</li> </ul>
Human resourcing fraud and corruption	<ul style="list-style-type: none"> <li>Fraudulent or corrupt hiring/promotion of employees</li> </ul>
Inventory and all other assets theft, loss or misuse	<ul style="list-style-type: none"> <li>Theft of PTV/government assets</li> <li>Unauthorised use of assets such as cab charge vouchers</li> </ul>
Accounts receivable fraud	<ul style="list-style-type: none"> <li>Government grants fraud</li> </ul>

## 1.5 Glossary

Throughout this Plan, unless otherwise stated, the following references (as described) apply.

**Table 2: Glossary of abbreviations and terms**

Reference	Description
AS 4811 - 2006	Australian Standard AS 4811 – 2006 <i>Employment Screening and the Australian Government Protective Security Framework</i>



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Reference	Description
AS 8001 - 2008	Australian Standard AS 8001-2008 <i>Fraud and Corruption Control</i>
Board	Board of Directors
CEO	Chief Executive Officer
CIO	Chief Information Officer
Committee	Audit and Risk Committee
<i>Directions</i>	<i>Standing Directions of the Minister for Finance</i>
FCCO	Fraud and Corruption Control Officer
<i>FCCP</i>	<i>Fraud and Corruption Control Plan (Policy and Procedures)</i>
FCRT	Fraud and Corruption Response Team
<i>FM Act</i>	<i>Financial Management Act 1994 and Financial Management Act 2004</i>
IBAC	Independent Broad-based Anti-corruption Commission
<i>IBAC Act</i>	<i>Independent Broad-based Anti-corruption Commission Act 2011</i>
<i>PA Act</i>	<i>Public Administration Act 2004</i>
PD Act	<i>Protected Disclosure Act 2012</i>
VAGO	Victorian Auditor-General's Office

## 1.6 PTV's statement on fraud and corruption

PTV management recognises the risk of fraud and corruption and is committed to implementing and maintaining an effective *FCCP*. The *FCCP* is designed to assist management in preventing fraudulent and corrupt activities whilst protecting PTV's resources, operations and reputation.

PTV requires all Board members, directors, managers, employees, contractors, consultants, and other relevant third parties to act honestly, with integrity and to safeguard the public resources for which they and PTV are responsible.

PTV does not tolerate fraudulent or corrupt conduct under any circumstances and any fraudulent or corrupt conduct will be investigated and reported as appropriate, as outlined in this document.

## 1.7 Code of conduct

All PTV employees are required to adhere to the principle behaviour prescribed in the *Code of Conduct for Victorian Public Sector Employees*. The *Code of Conduct Policy and Principles* builds upon the values contained in the *PA Act*. This forms the basis for PTV's *Code of Conduct Policy and Principles*.

The *Code of Conduct Policy and Principles* covers areas such as:

- Personal and professional behaviours;
- Use and release of information;
- Financial probity and accountability;
- Outside employment; and
- Employment after leaving the public sector.



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To comply with the *Code of Conduct Policy and Principles*, all parties interacting with the Victorian Public Sector are expected to exhibit high standards of professionalism; provide sensitive positive role models to others by their courtesy, openness, integrity and impartiality; and make decisions that are based upon transparent processes and a full consideration of the issues involved.

## 1.8 Relationship with other PTV policies and procedures

PTV's *FCCP* adopts a best practice approach based on *AS 8001 – 2008, Standing Directions of the Minister for Finance* under the *FM Act* and government best practice guidelines.

The policy should be read in conjunction with the following PTV policies and procedures:

- *Code of Conduct Policy and Principles*
- *Financial Code of Practice*
- *Making Protected Disclosures*
- *Protected Disclosure Welfare Management Policy*
- *Conflict of Interest Policy*
- *Gifts, Benefits and Hospitality Policy*
- *Procurement Procedures and Approval*
- *Financial Authorisations*
- *Risk Management Policy and Framework*
- *Management of Misconduct (Procedures)*
- *Managing Unsatisfactory Work Performance*

The above policies and procedures can be accessed via PTV's Intranet.

## 1.9 Roles and accountabilities for fraud and corruption control

Table 3: Fraud and Corruption Control Roles and Responsibilities<sup>14</sup>

Role/Individual	Responsibilities
Chief Executive Officer ('CEO')	<ul style="list-style-type: none"> <li>• Sets the tone at the top and establishes and maintains an ethical culture</li> <li>• Responsible for reviewing, endorsing and implementing the <i>FCCP</i></li> <li>• Approves the <i>FCCP</i></li> <li>• Decides on the disciplinary action to be taken, based on recommendation from the Fraud and Corruption Response Team ('FCRT')</li> <li>• Responsible for appropriate reporting to law enforcement and IBAC, after considering the recommendations of the FCRT</li> <li>• Approves the reporting of thefts and losses to the Minister for Finance and the Victorian Auditor-General's Office ('VAGO'), in accordance with the <i>Standing Directions of the Minister for Finance</i> under the <i>Financial Management Act 1994</i></li> </ul>
PTV Board of Directors ('Board')	<ul style="list-style-type: none"> <li>• Understands fraud and corruption risks</li> <li>• Maintains oversight of the fraud and corruption risk assessment by ensuring that fraud and corruption risk has</li> </ul>

<sup>14</sup> AICPA and ACFE – *Managing the Business Risk of Fraud: A Practical Guide*  
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Role/Individual	Responsibilities
	<p>been considered as part of PTV's risk assessment and strategic plans. This responsibility is addressed under a periodic agenda item at Board meetings when general risks to the organisation are considered</p> <ul style="list-style-type: none"> <li>• Reviews the relevant actions and activities relating to fraud and corruption control as recorded by the Audit and Risk Committee which include obtaining assurance that the controls are effective</li> <li>• Establishes mechanisms to ensure that the Board is receiving accurate and timely information from management, employees, the internal auditor (as managed by the Manager, Audit and Assurance), PTV's external auditor, Victorian Auditor-General's Office ('VAGO'), and other stakeholders regarding potential fraud and corruption occurrences</li> <li>• Provides the external auditor, VAGO, with evidence regarding the Board's active involvement and concern about fraud and corruption risk management</li> </ul>
PTV Audit and Risk Committee ('Committee')	<ul style="list-style-type: none"> <li>• Has an understanding of how internal and external audit strategies address fraud and corruption risk</li> <li>• Facilitates an open and candid dialogue where required between the Committee and the external auditor (VAGO) regarding the Committee's knowledge of any fraud/corruption or suspected fraud/corruption affecting PTV as well as how the Committee exercises oversight activities with respect to PTV's assessment of the risks of fraud and corruption, and the programs and controls PTV has established to mitigate these risks</li> <li>• Should seek legal advice from the Director, Governance and Legal whenever dealing with issues of allegations of fraud and corruption. Fraud and corruption allegations will be taken seriously since there may be a legal obligation to investigate and/or report them</li> <li>• Annually reviews and endorses the <i>FCCP</i> to the PTV Board</li> </ul>
Executive Director, Corporate Services	<ul style="list-style-type: none"> <li>• Has oversight of the <i>FCCP</i></li> <li>• Leads the PTV Fraud and Corruption Response Team ('FCRT') with the assistance and coordination of Director, Governance and Legal</li> <li>• Approves the scope and purpose of investigations where it does not cause significant detrimental financial or reputational damage or issues that involve allegations of wrongdoing by senior management, including the establishment of the terms of reference and appointment of an investigator, including external resources</li> <li>• Responsible for deciding as to whether a matter under investigation is one that ought to be reported to the relevant law enforcement agency</li> <li>• Reviews the reporting of thefts and losses to the Minister for Finance and the Victorian Auditor-General's Office</li> </ul>



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Role/Individual	Responsibilities
	<p>('VAGO'), in accordance with the <i>Standing Directions of the Minister for Finance</i> under the <i>Financial Management Act 1994</i></p> <ul style="list-style-type: none"> <li>Implements disciplinary action, when necessary</li> </ul>
Fraud and Corruption Control Officer ('FCCO')	<ul style="list-style-type: none"> <li>This role is held by the Director, Finance, who may delegate tasks as appropriate</li> <li>Maintains the <i>Fraud and Corruption Incident Register</i></li> <li>Receives disclosures and liaises with the Director, Governance and Legal (the coordinator of the FCRT) to engage necessary resources to investigate any fraud and corruption allegations</li> <li>Ensures disclosures are handled compliant with PTV's procedures under the <i>PD Act</i> as appropriate</li> <li>Performs periodic fraud and corruption risk assessments</li> <li>Assesses the <i>FCCP</i> annually with appropriate input by the Committee for its ongoing effectiveness at PTV</li> <li>Delegates fraud and corruption responsibilities as appropriate, and with close monitoring</li> </ul>
Director, Finance	<ul style="list-style-type: none"> <li>Is PTV's FCCO and a member of the FCRT</li> <li>Provides consultation to the FCRT from a financial and accounting perspective</li> <li>Is responsible for implementing strategies for the prevention and detection of fraudulent and corrupt activities and improper conduct</li> <li>Provides input into PTV's <i>Fraud and Corruption Risk Register</i> following an investigation, as relevant</li> <li>Drafts (or delegates drafting) for the Executive Director, Corporate Services, the reporting of thefts and losses to the Minister for Finance and the Victorian Auditor-General's Office ('VAGO'), in accordance with the <i>Standing Directions of the Minister for Finance</i> under the <i>Financial Management Act 1994</i></li> </ul>
Director, Governance and Legal	<ul style="list-style-type: none"> <li>A member of the FCRT</li> <li>Coordinates fraud and corruption response procedures and investigations</li> <li>Receives disclosures and liaises with the FCCO to engage necessary resources to investigate any fraud and corruption allegations</li> <li>Provides or sources legal input as required</li> <li>Supports the FCCO in the performance of periodic fraud and corruption risk assessments following an investigation, as relevant</li> </ul>
Director, Human Resources	<ul style="list-style-type: none"> <li>Develops and maintains appropriate Human Resources internal controls, including employment screening prior to, during as relevant, and on promotion or transfer to another PTV area</li> </ul>



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Role/Individual	Responsibilities
	<ul style="list-style-type: none"> <li>Is a member of the FCRT and assists in the investigation process as relevant, e.g. participating in internal disciplinary processes and managing employee welfare</li> </ul>
Chief Information Officer ('CIO')	<ul style="list-style-type: none"> <li>Attends FCRT meetings as and when required</li> <li>Provides support from an information systems perspective</li> </ul>
Internal Auditor / Manager, Audit and Assurance	<ul style="list-style-type: none"> <li>Member of the FCRT</li> <li>Assists in the deterrence of fraud and corruption by examining and evaluating the adequacy and the effectiveness of internal controls</li> <li>Considers PTV's assessment of fraud and corruption risk when developing their annual audit plan and review management's fraud and corruption management capabilities periodically</li> <li>Communicates regularly with the Director, Finance</li> <li>Offers advice to the CEO and the Director, Finance regarding the assessment of fraud and corruption controls</li> </ul>
Fraud and Corruption Response Team ('FCRT')	<ul style="list-style-type: none"> <li>Led by the Executive Director, Corporate Services; coordinated by the Director, Governance and Legal</li> <li>Other members of the team include: <ul style="list-style-type: none"> <li>FCCO (<i>if this is not the Director, Finance</i>)</li> <li>Director, Finance</li> <li>Director, Human Resources</li> <li>Manager, Audit and Assurance</li> <li>Others as deemed appropriate</li> </ul> </li> <li>Responds to and investigates alleged incidents of fraud and corruption, compliant with all relevant legislation, the principles of natural justice and the rules of procedural fairness</li> <li>Makes recommendations to the CEO for disciplinary action to be taken, at the conclusion of an investigation</li> </ul>
Line Management	<ul style="list-style-type: none"> <li>Has a basic understanding of fraud and corruption and be aware of the red flags</li> <li>Understand their role within the internal control framework. PTV employees should understand how their job procedures are designed to manage fraud and corruption risks when non-compliance may create an opportunity for fraud or corruption to occur or go undetected</li> <li>Read and understand policies and procedures (e.g., the FCCP, Code of Conduct Policy and Principles, etc.)</li> <li>Participate in the process of creating an effective internal control environment and designing and implementing fraud and corruption control activities, as well as participate in monitoring activities</li> <li>Report suspicions or incidents of fraud and corruption to the FCCO</li> <li>Cooperate in investigations</li> </ul>

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Role/Individual	Responsibilities
All employees, contractors and consultants	<ul style="list-style-type: none"> <li>Required to embrace public sector values and contribute to an ethical workplace culture</li> <li>Understand the ramifications for improper conduct</li> <li>Recognise the value and importance of personally contributing to fraud and corruption control</li> <li>Have an understanding of good work practices, systems and controls</li> <li>Understand the different types of fraud and corruption that can occur in the workplace and how to detect and report activities that appear irregular or suspicious</li> </ul>

## 2. Planning and Resourcing

### 2.1 PTV's program for fraud and corruption control planning and review

PTV's fraud and corruption risk management program is supported by the following activities:

**Table 4 : Fraud and Corruption Risk Management Program**

Type of Activity	Responsible
Enterprise risk management	Director, Governance and Legal
Fraud and corruption risk assessment	FCCO
Development and implementation of <i>FCCP</i>	FCCO
Development and implementation of fraud and corruption response plan	FCCO; and Director, Governance and Legal (as coordinator of the FCRT)
Delivery of fraud and corruption awareness training	FCCO
Internal audit review of fraud management policies and processes	Manager, Audit and Assurance
Annual review and endorsement of <i>FCCP</i>	The Board and Committee

### 2.2 Internal audit activity in fraud and corruption control

The internal audit function, which is managed by the Manager, Audit and Assurance, is responsible for assisting in the deterrence of fraud by examining and evaluating the adequacy and the effectiveness of the system of internal control, commensurate with the extent of the potential exposure/risk in the various divisions of PTV's operation. In carrying out this responsibility, the internal auditor should determine whether:

- PTV's environment fosters control consciousness.
- Realistic organisational goals and objectives are set.
- Written policies (e.g. *Code of Conduct Policy and Principle*) exist that describe prohibited activities and the action required whenever violations are discovered.
- Appropriate authorisation policies for transactions are established and maintained



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- Policies, practices, procedures, reports and other mechanisms are developed to monitor activities and safeguard assets, particularly in high risk areas.
- Communication channels provide management with adequate and reliable information.
- Recommendations need to be made for the establishment or enhancement of cost-effective controls to help deter fraud and corruption.

## 3. Fraud and Corruption Prevention

### 3.1 Implementing and maintaining an integrity framework

PTV maintains a healthy and sustainable ethical culture through the implementation of an integrity framework, which includes a process of benchmarking and continuous monitoring underpinned by a program of example setting by senior management.

The elements of PTV's integrity framework include<sup>15</sup>:

**Table 5: Fundamental Elements of a Fraud and Corruption Integrity Framework**

Element	Description
1. Integrity Framework	PTV's integrity framework has been developed using a participatory approach which builds commitment from all employees and is subject to ongoing monitoring and maintenance.
2. Example setting	PTV's senior management is committed to maintaining an effective integrity framework at PTV, by demonstrating the highest standards of integrity in carrying out their duties on behalf of PTV, and by observable adherence to the provisions and "spirit" of PTV's policies.
3. Senior management	PTV's senior management group recognises the need for establishing and maintaining an ethical culture and actively promotes such a culture.
4. Codes of behaviour	PTV has a comprehensive <i>Code of Conduct Policy and Principles</i> incorporating a high level aspirational statement of values.
5. Allocation of responsibility	The CEO, Executive Director, Corporate Services, FCCO and Director, Governance and Legal have responsibility for ensuring PTV's integrity initiatives are implemented and monitored. They have direct lines of reporting to the Board, which has overall responsibility for PTV's ethical culture. In addition to this, it is expected that every person associated with PTV has a role to play in driving integrity and ethical

<sup>15</sup> Australian Standards AS8001 - 2008 Fraud and Corruption Control  
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Element	Description
	behaviour in the organisation.
6. Ethical Issues	The CEO and FCRT are the final arbiters on issues of apparent misconduct and ethical dilemmas that cannot otherwise be resolved at line-management level. The CEO and FCRT also oversee the operation and maintenance of PTV's integrity framework.
7. Communication	PTV has a program for communicating its <i>Code of Conduct Policy and Principles</i> to all employees, contractors and consultants. The importance of ethical standards is communicated through regular dissemination of materials via newsletters and PTV's web and intranet sites.
8. Training	PTV provides ongoing training in the use of codes of behaviour and ethical tools for decision making, as part of its fraud and corruption awareness training to employees including senior management.
9. Reinforcement	PTV incorporates an integrated ethical standard into performance management.
10. Benchmarking	PTV has a program for continuous benchmarking of ethical standards aimed at identifying improvement in its ethical standards over time and between different elements of PTV. This is achieved through this Plan and associated PTV policies and procedures.
11. Reporting of complaints	PTV has internal and external reporting channels for complaints.
12. Compliance	PTV requires all directors, managers, employees, contractors, and consultants to sign an annual attestation to the effect that they have complied with all necessary PTV policies and procedures.

## 3.2 Senior management commitment

PTV fosters a culture of risk consciousness and ensures that senior management has an observably high level commitment towards controlling the risks of fraud and corruption within the organisation.

All PTV directors and managers are expected to lead by example and behave in a way which reflects positively on the organisation, their colleagues and government. In addition, directors and managers are expected to:

- Participate in the fraud and corruption risk assessment process;
- Ensure reports of suspected fraud or corrupt conduct within their area are investigated thoroughly, impartially and in a timely manner; and

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- Attend fraud and corruption awareness training as required.

PTV provides fraud and corruption awareness training to employees including senior management, relating to the risk to PTV of fraud and corruption. This awareness training should be covering, at a minimum, the following fraud and corruption issues:

- The incidence of fraud and corruption generally in Australia.
- The types of fraud and corruption common within the government sector and the losses typically associated with such conduct.
- The robustness of PTV's internal control environment in terms of its ability to prevent and detect the types of fraud and corruption likely to occur.
- Awareness of relevant case study examples.
- Awareness of IBAC.
- PTV's fraud and corruption control framework.
- Awareness of new technology tools for detecting and preventing fraudulent and corrupt activity.
- Awareness of new types of technology that may be used for the commission of fraud or corruption, and technological measures that can be used by PTV to minimise new types of fraud and corruption.

PTV will review the effectiveness of the training, and consider including fraud and corruption awareness at least once annually through random surveys or self-assessment checklists seeking information on key fraud and corruption framework aspects. This will allow PTV to monitor senior management's awareness and commitment to controlling the risks of fraud and corruption within the organisation.

### 3.3 Line Management accountability

PTV should ensure that line managers are aware of their accountabilities for the prevention and detection of fraud and corruption.

PTV provides appropriate training on fraud and corruption control to allow line managers to perform their duties.

### 3.4 Maintaining a strong internal control system and culture

In compliance with the *FM Act's Standing Directions of the Minister for Finance*, Direction 3 - Financial management structure, systems, policies and procedures, PTV's system of internal controls is underpinned by the financial management structure, systems, policies and procedures that contribute to reliable financial information and to the safeguard of assets, including prevention and detection of fraud.

PTV's internal control process is designed to provide reasonable assurance that error, fraud and other irregularities are prevented and promptly detected if they occur. To assist in detecting fraud and corruption, the internal control system aims to ensure:

- Proper segregation of functional responsibilities;
- A system of authorisation, recording and procedures to provide accounting controls over assets, liabilities, revenue and expenses;
- Effective practices in each area's performance of their duties and functions; and
- Documented procedures so that employees, contractors, and consultants throughout PTV understand the expectations of them.

Management and internal audit reviews of internal processes will include appropriate scrutiny and awareness of key internal control principles so that irregularities can be detected.



## 3.5 Fraud and corruption risk assessment

Fraud and corruption risk assessments for PTV are undertaken in accordance with *AS/NZS ISO 31000:2009 ('Risk Management')* and PTV's *Risk Management Framework*. The aim of the periodical assessment is to:

- Gain an understanding of the inherently high and significant risk of fraud and corruption to which PTV may be susceptible; and
- Provide an assessment that PTV's fraud and corruption controls are adequate for mitigating the risk of fraud and corruption.

Any high or significant fraud and corruption risks, where the residual risk controls have been identified as inadequate, are to be reported to the Committee detailing appropriate action to be taken, including timeframes and person responsible for implementing the planned action, to ensure that adequate controls are in place.

## 3.6 Communication and awareness of fraud and corruption

PTV seeks to maintain the general level of awareness of the risk of fraud and corruption in the minds of directors, managers, employees, contractors, and consultants specifically by:

- Including PTV's *FCCP* in the induction package for all new employees, contractors, and consultants.
- Mandatory annual attestation by each employee, contractor, and consultant confirming their compliance with all PTV policies, including the *FCCP*.
- Ensuring all appropriate employees, contractors, and consultants receive training on PTV's *Code of Conduct Policy and Principles* and other elements of PTV's integrity framework at induction and throughout the period of their employment.
- Providing regular fraud and corruption awareness training to all employees, contractors, and consultants appropriate to their level of responsibility. For instance, all employees, contractors, and consultants in high fraud and corruption risk areas (e.g. employees who manage payments, procurement and contracting processes) should receive regular mandatory fraud and corruption awareness training.
- Communicating updates and changes to fraud-related policies, procedures, the *Code of Conduct Policy and Principles* and other ethical pronouncements to all employees, contractors, and consultants. Changes may be communicated through email announcements, weekly updates from executives, or at employees meetings.
- Raising awareness among all employees, contractors, and consultants of the alternative ways in which they can report allegations or concerns regarding fraud, corruption or improper conduct, including awareness of IBAC's role in receiving protected disclosures.
- Encouraging employees, contractors, and consultants to report any suspected incidence of fraud or corruption.

## 3.7 Specific initiatives to control the risk of fraud and corruption

### 3.7.1 Employment Screening

The screening of employees, contractors, and consultants is an integral part of PTV's fraud and corruption prevention strategy. PTV adopts particulars in respect of employment screening contained within *AS 4811-2006 Employment Screening and the Australian Government Protective Security Framework ('AS 4811 – 2006')* which includes a documented process that provides for the effective screening of entrusted persons:

- a) Before appointment;



# Fraud and Corruption Control Plan (Policy and Procedure)

- b) Upon promotion or change of employment circumstances particularly if the person is being promoted to a senior position or to a position involving higher risk of fraud or corruption; and
- c) Prior to completion of the probationary period.

Further, the employment screening process should also include systematic and regular reviews of:

- Those positions with particular risk exposures; and
- Any changes in an employee's personal circumstances.

AS 4811 – 2006 provides leading practice on the key elements of employee screening including:

- Identity: verification of identity and other personal details such as address history.
- Integrity: checking of Curriculum Vitae for unexplained gaps, performing character reference checks, police records checks and other similar checks.
- Credentials: verification of academic qualifications, as well as conducting reference checks.
- Employer notification: communication of grounds for the failure to meet employment screening standards with the entrusted person.

## 3.7.2 Supplier and customer vetting

Confirming the identity and reputation of suppliers and customers is important in managing fraud and corruption control within PTV. This is the responsibility of the Director, Finance, with the support of others as appropriate.

Practical enquiries to ensure the bona fides of both new and continuing suppliers and customers could include:

- a) Search of a company register;
- b) ABN confirmation;
- c) Verification of the personal details of directors;
- d) Director bankruptcy search;
- e) Disqualified director search;
- f) Assessment of credit rating, where accessible;
- g) Search of legal proceedings pending and judgments entered;
- h) Telephone listing verification;
- i) Trading address verification; and
- j) Media searches on the supplier or customers and its directors.

PTV performs vendor audits of high risk providers as a consistent ongoing program, as outlined in AS 8001 – 2008.

Also refer to PTV's *Procurement Procedures and Approval Policy* (available on PTV Intranet).

## 3.7.3 Personnel

All PTV financial employees are required to have the appropriate qualifications, capabilities and training necessary to fulfill their functions. This is achieved through:

- Recruitment of appropriately qualified and experienced employees;
- Employment screening;
- Clearly defined roles and responsibilities; and
- Ongoing training.

# Fraud and Corruption Control Plan (Policy and Procedure)

Refer to PTV's *Recruitment Policy* and *Police Records Check Policy* for detailed employee screening procedures.

## 3.7.4 Annual leave and job rotation

PTV has an expectation that all employees take annual leave within 12 months of the leave being accrued, or in compliance with relevant PTV policies and procedures.

## 3.7.5 Segregation of duties

PTV aims to ensure that the same employees, contractors, and consultants are not assigned the responsibilities of recording transactions, authorising transactions and maintaining custody of assets.

## 3.7.6 Authorisation and approval

PTV has a *Financial Authorisations Policy* that covers financial delegations.

## 3.7.7 Safeguarding of assets

Adequate controls in safeguarding assets include:

- Physical protection by having locked storage areas for stationery, electronic equipment, petty cash, cheque books and cab charge vouchers;
- Restriction of access to assets and accounting records to assigned employees, contractors, and consultants; and
- Locked and secure rooms for computer servers with appropriate systems back-up procedures in place – this is covered by a *Service Level Agreement* ('SLA') with the Department of Transport Planning and Local Infrastructure ('DTPLI').

## 3.7.8 Tracing transactions

All transactions are traceable from original documentation through to accounting records.

## 3.7.9 Arithmetical and accounting control

PTV has review processes in place in record-keeping functions to reduce the risk of transactions being omitted, fictitious transactions being processed, and to ensure that transactions are accurately recorded.

## 3.7.10 Probity and contracting procedures

PTV has a *Financial Code of Practice* (which can be found on the PTV Intranet) that is consistent with the *Code of Conduct for the Victorian Public Sector Employees*.

Further, PTV has a *Procurement Procedures and Approval Policy*.

## 3.7.11 Managing conflict of interest

PTV complies with the *Conflict of Interest Policy Framework* developed by the State Services Authority. Consultants providing advisory services to PTV are required to declare any conflicts of interests prior to engagement. Other initiatives and policies implemented by PTV include:

- *Making Protected Disclosures* document;
- *Protected Disclosure Welfare Management Policy*; and
- *Gifts, Benefits and Hospitality Policy*.

## 3.7.12 Conflict of interest and private interests

The following definitions underpin the development, promotion and review of conflict of interest policies and procedures.



**Conflict of Interest** – In the public sector are conflicts between public duties and private interests. These can be actual, potential or perceived:

- An actual conflict of interest is one where there is a real conflict between an employee's public duties and responsibilities and their private interests.
- A potential conflict of interest arises where an employee has private interests that could conflict with their public duties.
- A perceived conflict of interest can exist where a third party could form the view that an employee's private interest could improperly influence the performance of their duties, now or in the future.

A conflict of interest can arise from avoiding personal losses, as well as gaining personal advantages – whether financial or otherwise.

**Private Interests** – An 'interest' in this context means anything that can have an impact on an individual or group. The term 'private interest' includes not only an employee's own personal, professional or business interests, but also the personal, professional or business interests of individuals or groups with whom they are closely associated. This can include relatives and friends. Private interests can be divided into two types: pecuniary and non-pecuniary.

- **Pecuniary interests** – involve an actual, potential or perceived financial gain or loss. Money does not need to change hands for an interest to be pecuniary. A pecuniary interest exists where a person (or relative or friend) own property, hold shares, have a position in a company bidding for government work, or receive benefits such as concessions, discounts, gifts or hospitality from a particular source.
- **Non-pecuniary interests** – do not have a financial component. They arise from personal or family relationships, or involvement in sporting, social or cultural activities. They include any tendency toward favour or prejudice resulting from friendship, animosity, or other personal involvement with another person or group.

## 4. Fraud and Corruption Detection Program

### 4.1 Fraud and corruption strategies

Fraud and corruption can be detected by establishing effective accounting and internal system controls, and by recognising variations from standard practice.

PTV has implemented a range of detection strategies in identifying and reporting fraud and corruption incidents, including the following:

- Provide protection to the individual under the *PD Act*.
- Undertake investigations that are consistent with the requirements of the *PD Act*.
- Ensure that all PTV employees have a clear understanding of what constitutes fraud, corruption and improper conduct regarding fraud and corruption through training and general awareness.
- Encourage an environment where reporting improper fraud or corruption incidents are the norm and not the exception.

PTV had identified, developed and implemented effective fraud and corruption data detection based on risk profile. This includes PTV's focus on areas of high financial risk such as the Procurement function and the myki division, and includes as a minimum:

- Post-transactional data review;
- Data mining and real-time computer system analysis; and
- Analysis of management accounting reports to identify trends.

The Director, Finance is responsible for PTV's program for fraud and corruption detection.



## 4.2 External auditor's role in the detection of fraud

VAGO is the external auditor for PTV. VAGO has an obligation to consider the risk of material fraud and corruption when performing the external audit.

PTV will engage with VAGO in an open and collaborative manner to assist VAGO in discharging its duties including sharing the findings of PTV's fraud and corruption risk assessments and any results from investigations conducted into fraud and corruption incidents. PTV will provide VAGO with any relevant documentation as required.

## 4.3 Mechanisms for reporting suspected fraud and corruption incidents

It is important that all instances of suspected or alleged fraud or corrupt activity within PTV are reported appropriately. Internal and external reporting arrangements, both of which allow for anonymous reporting, are available to all PTV employees. Reports of suspicious or alleged fraud or corruption can be communicated in a number of ways:

- PTV reporting channels:
  - Your line manager or director, or any manager or director, who will then liaise with the FCCO;
  - Directly to the FCCO;
  - Directly to the Director, Governance and Legal (as coordinator of the FCRT)
  - Directly to the Board, if the alleged fraudulent or corrupt activity involves the CEO or a member of the senior management team; or
  - Internal alternative reporting channel (i.e. hotline).
- External avenues of reporting:
  - Directly to IBAC, as outlined in the *Making Protected Disclosures* document.

### Contact details:

The Independent Broad-based Anti-corruption Commission (IBAC)  
Level 1 North Tower  
459 Collins Street  
Melbourne Vic 3000,  
PO Box 24234, Melbourne, Vic 3001  
Telephone: 1300 735 135  
Website: [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au) (Email, via the above website under the 'Contact us' tab)

It is widely accepted that reports from employees, contractors, consultants and anonymous sources are the most common and effective method of detecting fraud and corruption. PTV has put in place support mechanisms to encourage those people who may have information regarding fraud, corruption and improper conduct to report such matters under the protection of the *PD Act*.

## 4.4 Whistleblower protection program

The *PD Act* "enables people to make disclosures about improper conduct within the public sector without fear of reprisal. The Act aims to ensure openness and accountability by encouraging people to make disclosures and protecting them when they do"<sup>16</sup>.

<sup>16</sup> <http://www.ibac.vic.gov.au/report-corruption-or-misconduct/protected-disclosure>

# Fraud and Corruption Control Plan (Policy and Procedure)

Under the *PD Act*, PTV does **not** meet the definition of an organisation that can receive protected disclosures. PTV employees who wish to make anonymous reports of suspected or alleged fraudulent or corrupt activities or improper conduct involving PTV or any of its Board members, directors, employees, contractors, consultants or associates may do so by contacting IBAC directly.

IBAC's *Thinking of making a protected disclosure?* information sheet provides guidance to PTV employees thinking of blowing the whistle. This document can be found on the IBAC website. In summary, the information sheet sets out the following:

- People who make genuine disclosures about improper conduct in the public sector can seek legal protection under the *PD Act* from reprisal.
- All complaints made directly to IBAC are assessed to see if they should be treated as a protected disclosure. If the complaint is determined to be a protected disclosure complaint, the affected person will receive protection.
- A protected disclosure may be made about the improper conduct of a public body or public official (e.g., Victorian public sector employees).
- Disclosures can be made to IBAC or another organisation in person, in writing or by telephone.
- IBAC, the Victorian Ombudsman, Victoria Police and the Victorian Inspectorate are the only agencies that can investigate a protected disclosure complaint.
- Guidance on important aspects during the period 'before' and 'after' an employee makes a disclosure as well as 'how to report' suspected fraud and corruption.

See also PTV's *Making Protected Disclosures (Procedures)* and *Protected Disclosure Welfare Management Policy*.

## 5. Responding to Detected Fraud and Corruption Allegations

PTV maintains fraud and corruption response initiatives including the following.

### 5.1 Procedures for the investigation of detected or suspected incidents

PTV has implemented a fraud and corruption response procedure by which PTV appropriately responds to and investigates suspected or alleged incidents of fraud and corruption.

Should the FCCO and Director, Governance and Legal (as coordinator of the FCRT) deem that a reported activity or incident warrants further investigation, both will determine whether the investigation can be conducted internally, whether external resources are necessary and whether relevant authorities (including IBAC) should be notified. The Director, Governance and Legal (as coordinator of the FCRT) will nominate a competent and independent senior employee to conduct the investigation and oversee any internal investigations.

If external consultants or law enforcement agencies, including IBAC are engaged to assist with the investigation, then this will require the approval and direction of the Executive Director, Corporate Services. External consultants should be appropriately qualified and experienced.



# Fraud and Corruption Control Plan (Policy and Procedure)

Any investigation will comply with the following:

1. *Code of Conduct for Victorian Public Sector Employees.*
2. *Public Administration Act 2004*
  - Part 2 Section 7: Public sector values
  - Part 2 Section 8: Public sector employment principles
  - Part 3 Division 4 Section 22: Dealing with unsatisfactory performance, misconduct and serious misconduct
  - Part 3 Division 8 Section 33: Termination of employment (non-executives)
  - Part 3 Division 8 Section 34: Termination of employment (executives)
  - Part 3 Division 8 Section 35: No compensation on termination of employment, etc.
3. Relevant Enterprise Agreements
4. Principles of natural justice and rules of procedural fairness:
  - Hear all relevant parties to the matter;
  - Make reasonable inquiries and check facts;
  - Voluntary participation in interviews or voluntary agreement to requests from investigators at all times;
  - An absence of any bias or perception of bias in the investigation; and
  - The transparency of the investigation process (subject to confidentiality, privacy, and not compromising the investigation).

## 5.2 Internal Reporting and Escalation

### 5.2.1 Collating information in relation to fraud and corruption incidents

The Director, Governance and Legal (as coordinator of the FCRT) is responsible for the preparation of any brief of evidence, and will retain investigation documentation securely.

The Executive Director, Corporate Services (as the leader of the FCRT) shall communicate the results of the completed investigations to the CEO, the Board and the Committee.

### 5.2.2 Fraud and Corruption Incident Register

The FCCO maintains a *Fraud and Corruption Incident Register*, which is used as a basis for reporting to the CEO, the Board, the Committee, and other stakeholders as required. The *Fraud and Corruption Incident Register* captures all incidents of alleged fraud, corruption and improper conduct that occur at PTV.

### 5.2.3 Analysis and reporting program of fraud and corruption incidents

The FCCO undertakes a regular analysis of the incidents reported and periodically reports trends to the Board and the Committee. Annual reports should indicate what action has been taken to reduce the level of fraud and corruption overall.

## 5.3 Disciplinary procedures

Disciplinary procedures will comply with PTV's *Management of Misconduct* and *Managing Unsatisfactory Work Performance* policies and the *Enterprise Bargaining Agreement*. The decision for disciplinary action is made by the CEO, after considering the recommendations of the FCRT at the conclusion of the investigation.

## 5.4 External reporting of fraud and corruption

### 5.4.1 Reporting to Minister for Finance and the Victorian Auditor-General

The reporting of thefts and losses to the Minister for Finance and the Victorian Auditor-General's Office ('VAGO'), in accordance with the *Standing Directions of the Minister for Finance* under the *Financial Management Act 1994* is drafted by the Director, Finance or his/her delegate, reviewed by the Executive Director, Corporate Services, and approved by the CEO.

In compliance with the *FM Act's Standing Directions of the Minister for Finance*, Direction 4.5.4 – Theft and losses, PTV is required to report all cases of suspected or actual theft, arson, irregularity, fraud or corruption in connection with the receipt or disposal of money, stores or other property of any kind under its control to the Minister for Finance and VAGO as follows:

Where the receipt or disposal of money is:

- Equal to or exceeds \$1,000, the incident must be reported at the time of the occurrence and an incident report submitted within two months; or
- Less than \$1,000, the incident must be reported annually for the period ending 30 June together with an incident report.

For stores and property of any kind with a value:

- Equal to or exceeding \$20,000, must be reported at the time of occurrence and an incident report must be submitted within two months; or
- Less than \$20,000 must be reported annually for the period ending 30 June together with an incident report.

An incident report prepared must state, in addition to any other information that it appears appropriate to include:

- Whether internal controls and systems have been reviewed;
- Whether any weaknesses in internal controls and systems have been identified and have or will be rectified;
- The status of any proceedings, investigations or disciplinary actions; and
- What has been recovered, whether by way of money, stores, other property or insurance.

The minimum reporting requirements by the Department of Treasury and Finance include:

- Date of incident;
- Location of incident (facility, region, or Division);
- Cause of loss (theft, arson etc.);
- Estimated value of asset/money;
- Background/detail of incident;
- Action taken; and
- Outcomes of investigations and recovery of assets/money.

### 5.4.2 Reporting to IBAC and law enforcement

The CEO is responsible for appropriate reports to IBAC and any law enforcement agencies, after considering the recommendations from FCRT and in compliance with any legislative requirements.



## 5.5 Civil action for recovery of losses – policy for recovery action

PTV will seek to recover any dishonest benefit obtained, based on the recommendation received from the FCRT.

## 5.6 Internal control review following the discovery of fraud

In each instance where fraud is detected, a review of internal controls will be conducted. This review is undertaken by the internal auditor (as managed by the Manager, Audit and Assurance) or a consultant appointed by the Executive Director, Corporate Services (refer section 2.2 – External assistance to the Fraud and Corruption Control Officer). Recommendations emanating from the review are endorsed by the Committee, prior to being implemented by PTV management.

## 5.7 Maintaining and monitoring of fraud or improper conduct insurance

Where relevant, a fidelity guarantee insurance cover may exist for the risk of loss arising from internal fraudulent conduct, which would require regular monitoring for adequacy of the cover.

### Document information

Criteria	Details
Document TRIM ID:	DOC/14/177303
Document title:	PTV Fraud and Corruption Control Plan (Policy and Procedure)
Document author:	

### Version history

	Date	Person	Description
V0.1	27 08 2014		1 <sup>st</sup> Draft
V0.2	03 09 2014		Draft Approval
V1.0	07 09 2014	Mark Wild	Approval





## **ANNEXURE 6**

### **PTV FRAUD & CORRUPTION CONTROL STAFF TRAINING PRESENTATION**





# Fraud and Corruption Control Awareness Training

August 2014



## Fraud and Corruption Prevention

- > PTV is committed to maintaining high standards of ethical conduct but recognises that fraud or corruption can occur even in organisations that aim for high standards of legal, ethical and moral behaviour.
- > PTV requires all board members, directors, managers, employees, contractors, consultants and other relevant third parties to act honestly, with integrity and to safeguard the public resources for which they and PTV are responsible.
- > PTV does not tolerate fraudulent or corrupt conduct under any circumstances and any fraudulent or corrupt conduct will be investigated and reported as appropriate.
- > Fraud and corruption can occur at any level in the organisation.



## Fraud and Corruption Control Framework

- > PTV is committed to implementing and maintaining an effective fraud and corruption control framework.
- > PTV have engaged Ernst & Young to assist with the development and enhancement of the fraud and corruption control framework.

## IBAC Enquiry

- > Middle ranking employees.
- > Small amounts repeated often.
- > Collusion.
- > Processes followed.

- 
- A solid dark grey rectangular block used to redact information.
- > Control environment weaknesses.



# Fraud and Corruption Control Awareness Training

- > Welcome to our training session facilitators (Ernst & Young).
- > **Roger Darvall-Stevens**  
Partner – Fraud Investigation & Dispute Services
- > **Adeline Shelley**  
Manager – Fraud Investigation & Dispute Services
- > Please sign the training attendance register.

# Training content

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- ▶ Defining fraud and corruption
- ▶ Fraud and corruption information, theory and detection methods
  - ▶ An internal fraud and corruption classification system
  - ▶ Fraud triangle – opportunities, pressure, rationalisation
  - ▶ Consequences of fraud and corruption / why focus on fraud and corruption
  - ▶ Fraud/corruption prevention, detection and response (investigation)
- ▶ Governance requirements for PTV
- ▶ IBAC awareness
- ▶ The PTV fraud and corruption control plan (policy and procedure)
  - ▶ What is your role and where to report any suspicions, allegations or concerns
- ▶ Examples and case studies
  - ▶ Used throughout this training
- ▶ Training evaluation



# Fraud/corruption in the news

Canberra public servant who gambled away defence career sentenced for \$25k credit card fraud

Updated Fri 10 Jan 2014, 12:16am AEDT

**A public servant who stole \$25,000 using a defence force credit card to fund his gambling habit has received a suspended jail sentence in the ACT Magistrates Court.**

VICTORIA'S new anti-corruption commission will investigate serious crimes rather than small "tea money" thefts, the State Government says.

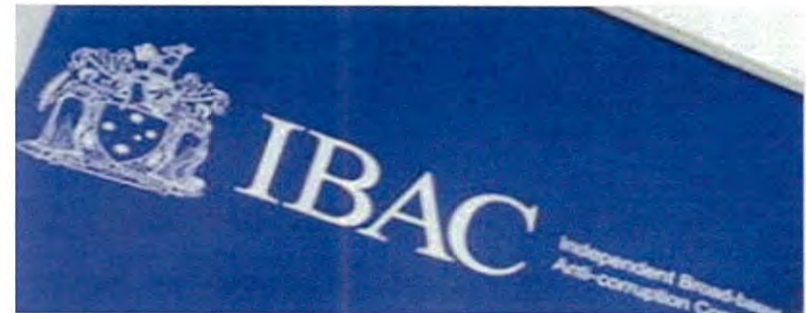
**Rural services company Elders has posted a massive annual loss, blaming the costs of an ongoing restructure and poor weather as it confirms possible accounting fraud within its live export team.**

**New report shows more than \$23million in public sector fraud and corruption in Govt agencies is increasing**

AAP • JUNE 19, 2013 2:25PM

**Ian Macdonald, Eddie Obeid facing charges after being found by ICAC to have acted corruptly**

LEO SHANAHAN The Australian July 31, 2013 5:10PM



**Myki mobile fraud delivers free ride**

Deborah Gough  
Published: May 21, 2013 - 7:35AM

Bus passengers have found new ways to ride free on myki.

**Schoolboy hacks Public Transport Victoria website**

Adam Carey  
Published: January 8, 2014 - 5:36PM

# Defining fraud and corruption

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## Fraud

- ▶ “is 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”  
[Source: Australian Standard *AS 8001:2008 Fraud and Corruption Control*]
- ▶ Or more concisely “dishonestly obtaining a benefit, or causing a loss, by deception or other means”  
[Source: *Australian Commonwealth Fraud Control Guidelines 2011*]

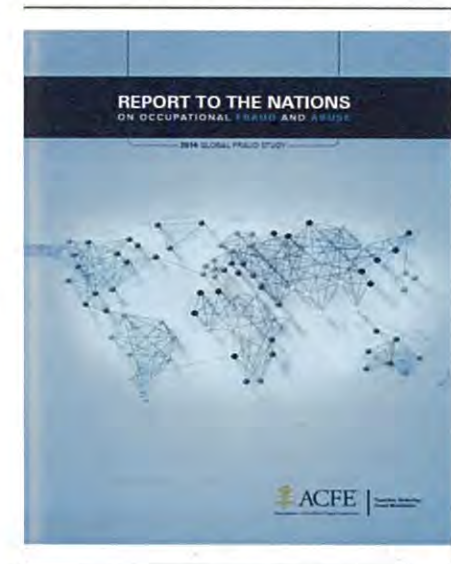
## Corruption

- ▶ “is dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the intentions of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity”  
[Source: Australian Standard *AS 8001:2008 Fraud and Corruption Control*]

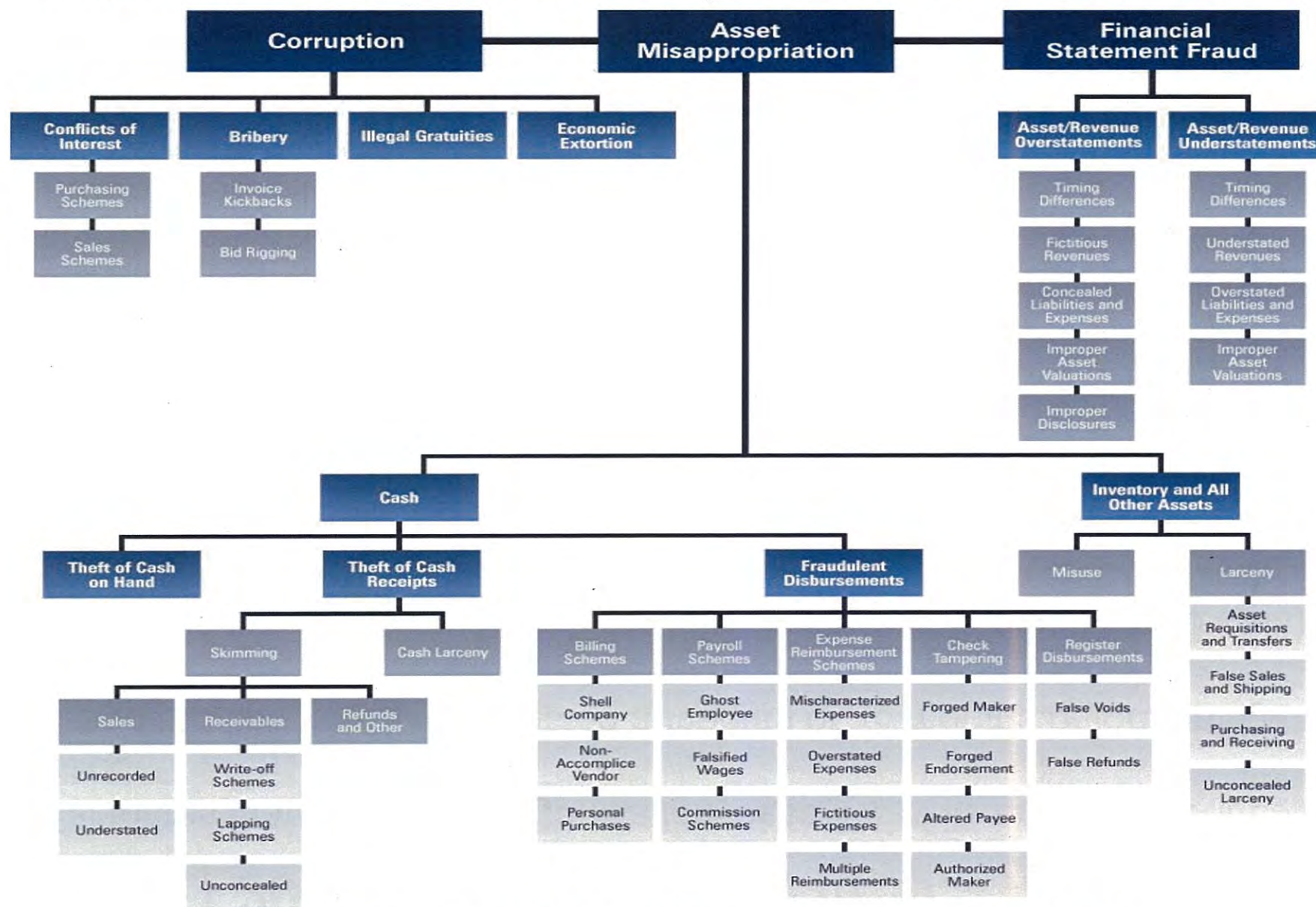


# Association of Certified Fraud Examiners (ACFE) 2014 Global Fraud Study – key findings

- ▶ Estimates that the typical organisation loses 5% of its annual revenues to fraud
- ▶ Fraud median loss \$145k, lasted a median of 18 months before being detected
- ▶ Asset misappropriation (85% & the least costly with median loss \$130k), financial statement fraud (9% & most costly with median loss of \$1m), corruption schemes (in the middle at 37% & median loss \$200k)
- ▶ Tip is most likely method of detection than any other (over 40% of all cases)
- ▶ Organisations with hotlines had 41% less costly fraud & detected 50% faster
- ▶ Most common victim industry sectors of banking & financial services, govt./public admin., manufacturing
- ▶ Perpetrators with higher levels of authority tend to cause much larger losses
- ▶ Anti-fraud controls correlate to significant fraud decreases in cost and duration



# An internal fraud/corruption classification



[Source: Association of Certified Fraud Examiners (ACFE) 2014 Global Fraud Study]



# Perceptions of corruption in Victoria: types

CORRUPTION TYPES, ACTIVITIES, SECTORS AND PLACES (TASP)<sup>3</sup> MODEL

Types	Activities	Sectors	Places
▸ Bribery	▸ Appointing personnel	▸ Transport	▸ Countries
▸ Extortion	▸ Buying things (procurement)	▸ Community services	▸ Regions
▸ Misappropriation	▸ Delivering programmes or services	▸ Justice	▸ Localities
▸ Self-dealing	▸ Making things (construction/manufacturing)	▸ Construction	▸ Workplaces
▸ Conflict of interest	▸ Controlling activities (licensing/regulation/issuing of permits)	▸ Arts & culture	
▸ Abuse of discretion	▸ Administering (justice, for example)	▸ Health	
▸ Patronage		▸ Tax administration	
▸ Nepotism		▸ Energy	
▸ Cronyism		▸ Environment and water	
▸ Trading in influence		▸ Forestry	
▸ Pay to play		▸ Agriculture	
		▸ Urban planning	

[Source: Independent Broad-based Anti-corruption Commission (IBAC) and the Australian National University (ANU) *Research paper: Perceptions of corruption in Victoria*, September 2013]

# Example fraud, corruption & improper conduct risks for PTV

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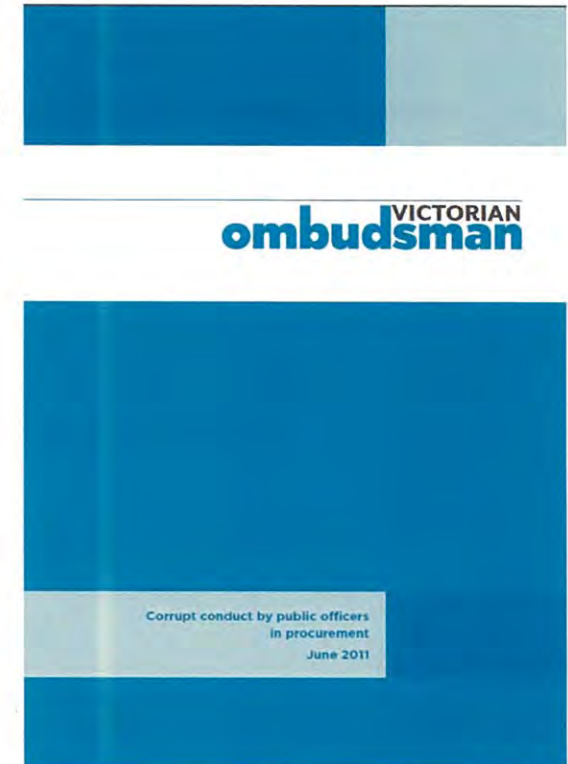
Ticketing (myki) fraud
Procurement fraud
Security breach of systems, data and documents
Corruption
Payroll fraud
Financial statement fraud
Insider information trading fraud
Accounts payable fraud
Human resourcing fraud and corruption
Inventory and all other assets theft, loss or misuse
Accounts receivable fraud



# Case study - what can we learn?

## Corrupt conduct by public officers in procurement

- ▶ Between 2009 and 2010 the toner-for-kickbacks affair involved public officers of the Victorian Public Sector purchasing printer toner cartridges from a non-authorised government supplier
- ▶ Public bodies involved: a Victorian government entity, several Victorian Government schools, and a prison
- ▶ The investigation identified the following issues of concern:
  - ▶ Purchasing outside the State Purchase Contract
  - ▶ Improper expenditure of public money
  - ▶ Acceptance of gifts
  - ▶ Destruction of public records
- ▶ Nine government bodies purchased goods outside the State Purchase Contract



# Case study - what can we learn?

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- ▶ Toner cartridges were inappropriately purchased through:
  - ▶ Paying inflated prices which were 2-4 times higher than the price of genuine cartridges
  - ▶ Purchasing toner cartridges not required sufficient to supply the Victorian government entity mentioned in the Victorian Ombudsman's report with black toner cartridges for the next 40 years even though the shelf life was only 24 months
  - ▶ Splitting invoices to ensure that total amount of each invoice would not trigger further enquiry
- ▶ Public officers accepted gifts from supplier for personal benefit including prepaid Visa cards and Coles Myer vouchers
- ▶ Several public officers also breached their obligations under the Public Record Office Disposal schedule by destroying documents relating to inappropriate purchases
- ▶ Total damage to taxpayers amounted to \$1.2m

[Source: Victorian Ombudsman publicly released report June 2011]



# Case study - what can we learn?

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## Postage stamps

- ▶ **Victim?** Department of Transport (DoT)
- ▶ **How?** A former employee of the then Department of Transport ("Mr T") purchased large numbers of stamps using the Department's Australia Post charge account. Mr T had access to the Department's charge account number, and used this together with a false name to complete order forms for the transactions which were conducted over the counter at an Australia Post branch. The size of the transactions grew over time as Mr T became greedier
- ▶ **When?** Between April 2008 and February 2010
- ▶ **How detected?** Reported by a DoT employee who became suspicious following an encounter at the Australia Post branch where Mr T committed his fraud
- ▶ **How much?** > \$100k
- ▶ **Opportunity?** Weaknesses in the internal control environment at the time
- ▶ **Result?** Mr T was charged by Victoria Police, convicted and sentenced to a term of imprisonment. The Department was able to recover part of the monies lost

# Case study - what can we learn?

## Bus ticket revenue – cash collection fraud

- ▶ **Victim?** Department of Infrastructure (DoI)
- ▶ **How?** Bus operators utilised cash collection companies to deposit funds from ticket sales. Not all cash collected was deposited into the bank account
- ▶ **When?** 2004 to 2007
- ▶ **How detected?** A discrepancy between revenue and cash deposited into the bank was identified during the performance of a revenue audit
- ▶ **How much?** Up to \$6m
- ▶ **Opportunity?** Weaknesses in the internal control environment
- ▶ **Result?** Key perpetrators were prosecuted. The Department was able to recover some of the misappropriated funds

18 Horsham Sun, Wednesday, February 18, 2009

## \$6m rort on bus tickets

Ashley Gardiner  
transport@horshamsun.com.au

MILLIONS of dollars in Metcard fares are believed to have been stolen in a major fraud of the transport system. Up to \$6 million has vanished in an alleged fraud that was undetected for three years.

A rogue company is suspected of hoarding its coffers with fares paid by suburban bus passengers.

Enough cash to buy about 350,000 daily Metcards was skimmed from 2004 to 2007.

Fraud squad detectives are poised to lay charges against a cash-collecting company after a long investigation.

The theft was uncovered by a Metlink audit of public transport ticket sales.

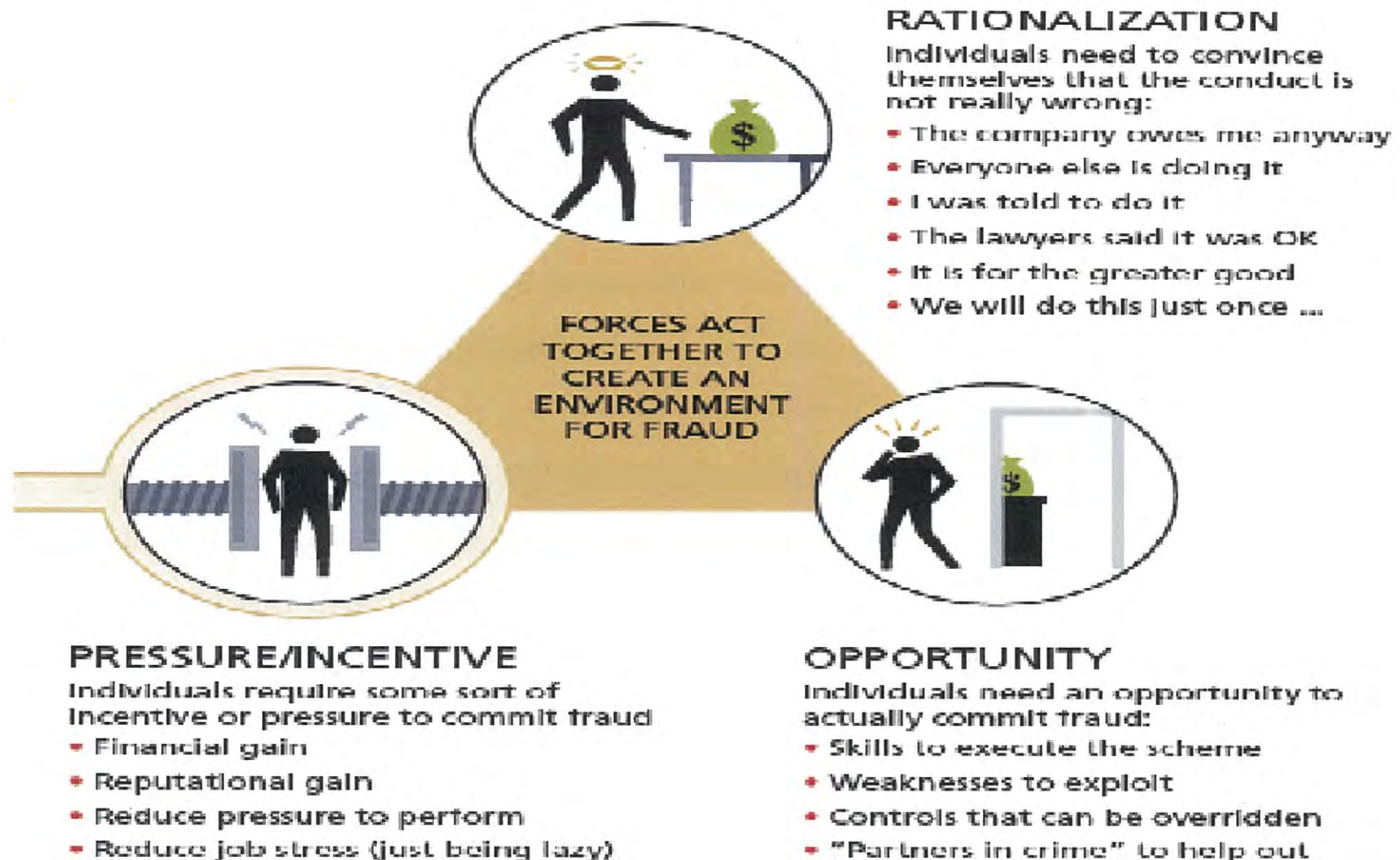
Auditors discovered a discrepancy between ticket sales and revenue collected involving two suburban bus companies. They found that ticket money that should have been deposited into the bank never made it.

Metlink chief executive Bernie Carolan said: "No evidence suggests anyone is involved except the cash-collection agencies."

Metcards are sold at ticket machines, railway stations, retail outlets and on buses. Money from ticket sales is collected centrally before being carved up between Connex, V/Line Trams and the bus companies. Mr Carolan said the audit found no problems with Metcard sales other than those on buses.



## THE "FRAUD TRIANGLE"



[Source: Donald R. Cressey's 'Fraud Triangle': Incentive/Pressure, Opportunity and Rationalization are present when fraud/corruption occurs]

# Motives of fraud from criminology research

[Note: these are in order of prevalence as motives]

---

1. Greed
2. Gambling
3. Financial strain – personal
4. Financial strain – business
5. Maintaining own/family business
6. Influenced/implicated by others
7. Desire to ensure the viability of the corporation
8. Pleasing others
9. Addiction to drugs/alcohol
10. Financing new business interests
11. Terminal illness
12. Dissatisfaction with employer

[Source: Australian Institute of Criminology (AIC) 2003, *Serious Fraud in Australia and New Zealand*, AIC Research and Public Policy Series No. 48, p.44, and validated since by a number of studies/surveys]

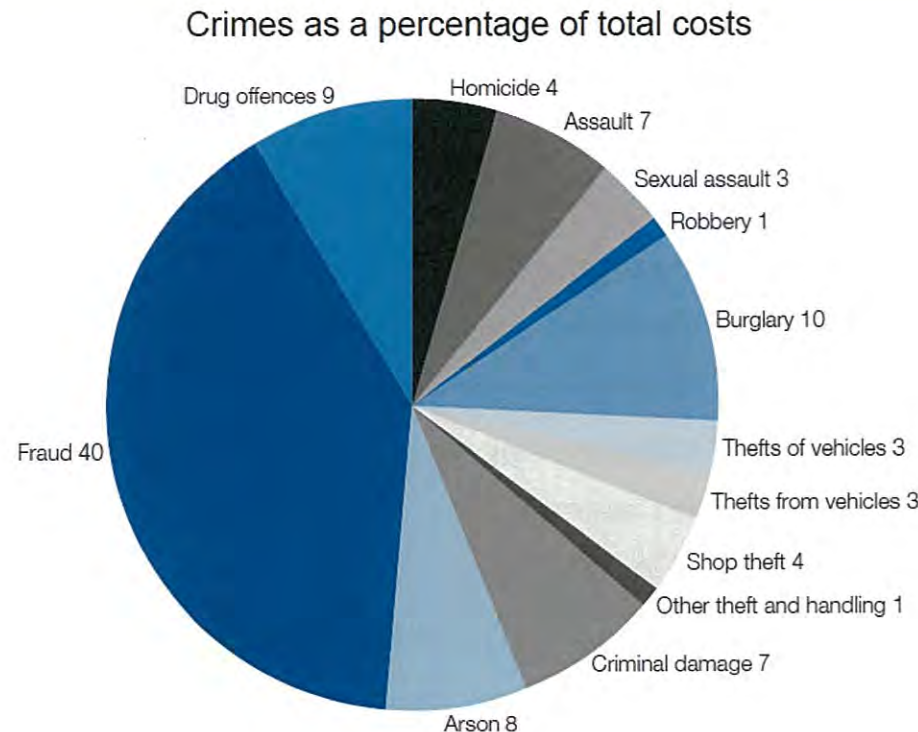


**Figure 71: Behavioral Red Flags Displayed by Perpetrators**



# Consequences of, & why focus on, fraud and corruption control

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[Source: Australian Institute for Criminology (AIC) 2005 update published in 2008]

Risk to reputation, public confidence, and associated harm to an organisation.

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Fraud (all categories) in Australia costs an estimated \$8.5 billion (was \$5.9 billion in 2003).

Fraud accounts for 40% (was 31% in 2003) of all identified crime.

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Certified Fraud Examiners estimate that 5% of revenue for an organisation can be lost due to fraud.

[Source: Association of Certified Fraud Examiners (ACFE) 2014 *Global Fraud Study*]



# Prevention: Holistic fraud/corruption reduction models examples



This Standard is part of the Corporate governance series which comprises—

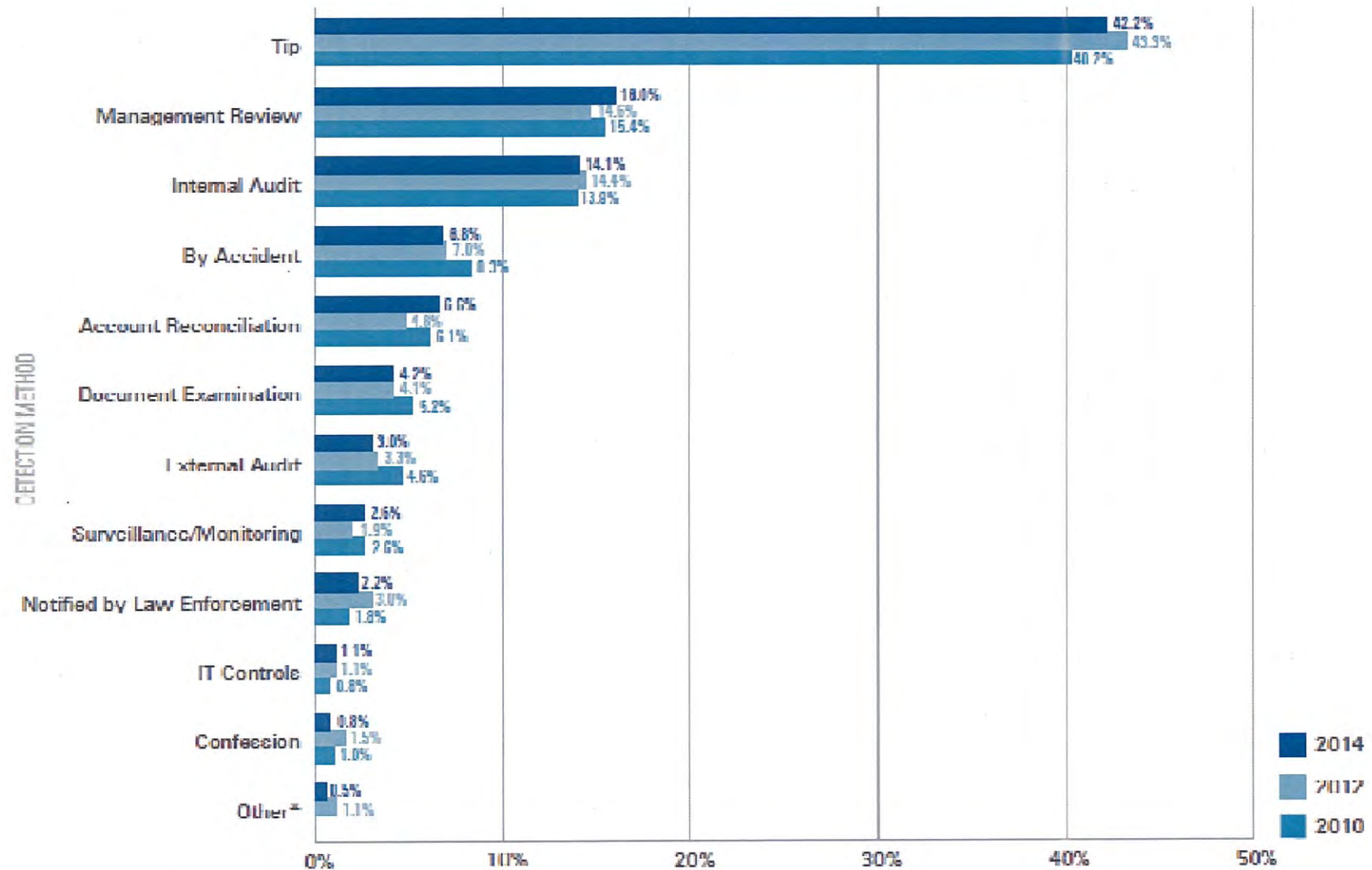
- AS 8000 Good governance principles
- AS 8001 Fraud and corruption control (this Standard)
- AS 8002 Organizational codes of conduct
- AS 8003 Corporate social responsibility
- AS 8004 Whistleblower protection programs for entities



[Source: Australian National Audit Office (ANAO), *Fraud Control in Australia Government Entities: Better Practice Guide*, March 2011]

# Detection: How fraud/corruption is detected

Figure 11: Initial Detection of Occupational Frauds



\*\*Other\* category was not included in the 2010 Report

PERCENT OF CASES



# Recognising the warning signals

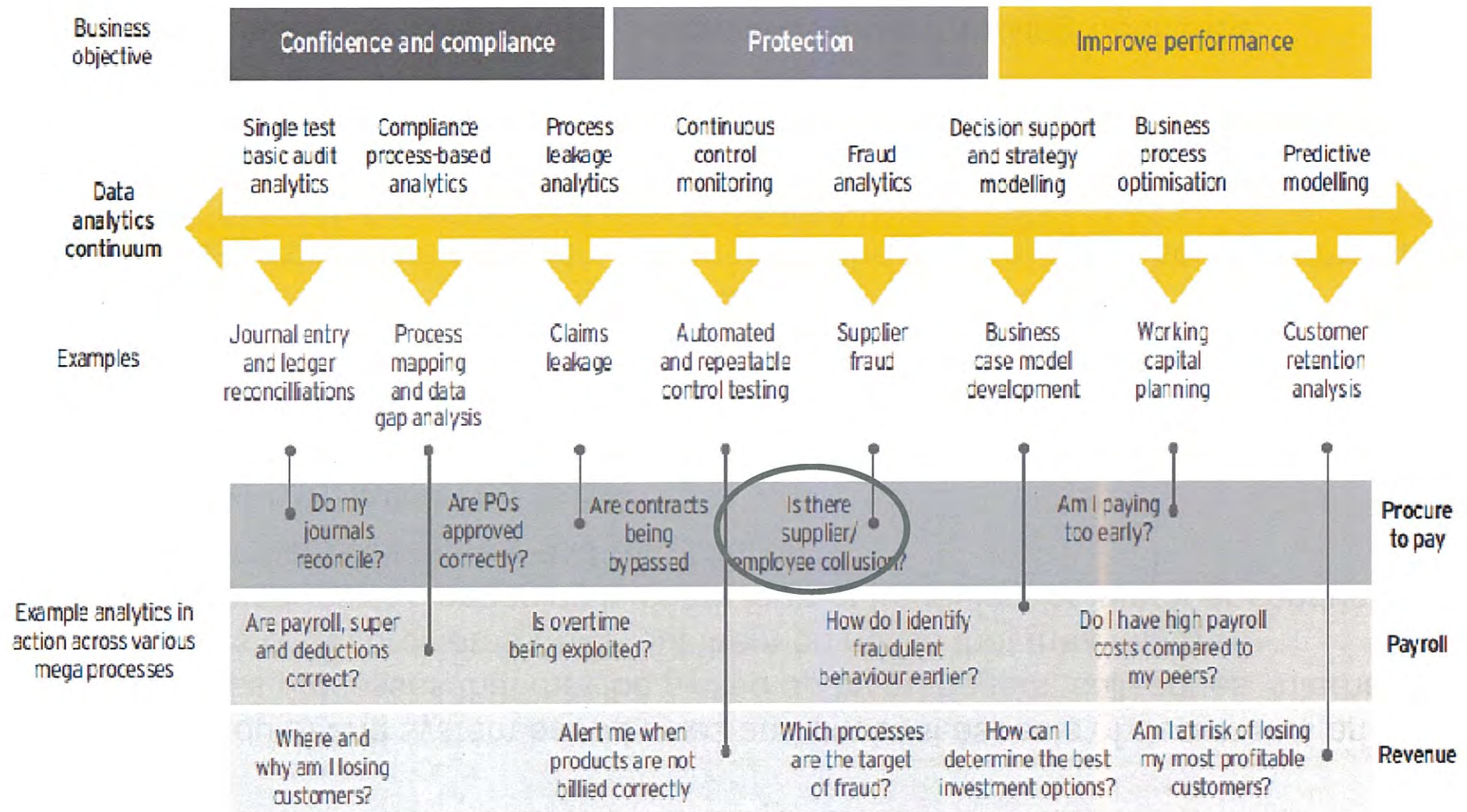
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- ▶ Behavioural and system based clues and unusual aspects of documents and business processes that may be picked up by managers, colleagues, internal auditors or subordinates which put them on notice that the employee concerned may be engaging in some form of fraudulent or improper conduct
- ▶ Look at them collectively and with caution

## Fraud and corruption red flags

- ▶ Changes in behaviour (mood swings)
- ▶ Too much trust in a person / lack of segregation of duties
- ▶ Non adherence to company policy, directs subordinates to bend/break rules
- ▶ High incidence of social contact between employee and vendor
- ▶ Exclusive/preferred treatment - often under the guise of a sole source contract
- ▶ Evergreen contracts (no end date or review)
- ▶ Extravagant lifestyle (house/holidays/children's education)
- ▶ Several previous allegations & concerns made by staff over employee's conduct
- ▶ Never taking holidays / working excessive hours / working weekends
- ▶ Increased customer complaints
- ▶ Low employee morale

# Detection: Data analytics continuum





# How Should We Conduct Investigations?

Every organization should have a strong capability to identify, prioritize, investigate and resolve issues. While this can be a daunting task, this illustration can help implement or refine an investigation process and avoid common pitfalls.

## 1 CAPTURE

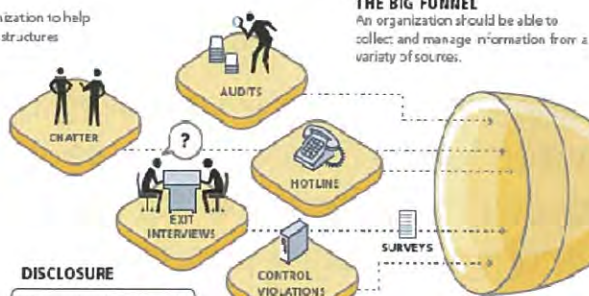
Structures should be embedded within the organization to help identify potentially inappropriate activity. These structures include people, processes and technology.

### THE CHATTER

There is constant formal and informal communication throughout the organization. The workforce should keep eyes and ears open for things that don't sound right.

### THE BIG FUNNEL

An organization should be able to collect and manage information from a variety of sources.



## 5 RESOLVE

Once the investigation is complete, the organization must address allegations with all appropriate constituencies. Allegations that are not substantiated should be closed with communications to the persons who raised the investigation and those who were investigated. When allegations are substantiated, the organization must take consistent action and ultimately improve the system so that the organization becomes better at preventing, detecting, and responding to similar issues in the future.

### DISCLOSURE

Who needs to be informed about the investigation and our findings and results?

Suppliers? Customers? Government / Regulators? Shareholders? Lenders? Employees? Insurance? Ratings Agencies?

### RESTITUTION

Who was hurt? How do we fix it?

### DISCIPLINE

What disciplinary action is appropriate?

### REMEDATION

How do we improve the system?

### TWISTS & TURNS

Issues may begin as a single issue or a single type of issue, but might progress into very different or multiple issues.

What happened / is happening?

Who's involved?

For how long?

What is the motive?

What is their span of control?

How were they incented?

What happened in the past?

What else could be affected?

### KNOW WHEN TO SAY WHEN...

The art of the investigation is knowing when the issue has been thoroughly investigated and there appear to be no credible loose ends. At some point, you have to stop digging; instead of asking "Is it possible?" begin asking "Is it probable?"

## 4 INVESTIGATE

After laying the groundwork, the actual investigation begins with the assigned team. The team will have varying levels of professional investigation skills, depending on the tier that applies to this issue.

BE PREPARED FOR PEOPLE TO LEAVE RATHER THAN BE INVESTIGATED

## 2 FILTER

A strong "filtering system" helps management focus on what matters most. An effective filter will ensure that issues are appropriately and efficiently addressed. Ever at this early stage, management should begin the "triage" process and identify those material issues that may require escalation versus issues that have questionable specificity and credibility.

### COMPETENCE & INDEPENDENCE

Someone with appropriate competence and independence should decide whether the issue appears to be specific and credible, and, if so, whether it should be escalated. That person also needs to determine who should investigate the issue and assure that the investigating team is competent and independent.

How was it discovered?

By whom?

Is it specific and credible?

Should this be privileged?

Should we waive privilege?

### PRIVILEGE

Early on, it is important to identify whether an issue should be investigated under privilege. Every step not taken under privilege can introduce more risk.

## 3 PLAN & ASSIGN

A allegation should be assigned to the appropriate "tier" or channel based on the facts, circumstances and seriousness of the allegation.

### CRISIS ISSUES

These are issues that could sink the company, whether financial or reputational, or issues that involve allegations of wrongdoing by senior management.

### SIGNIFICANT ISSUES

These issues are serious and material to the organization but do not involve allegations of wrongdoing by senior management. As such, senior management typically directs these investigations with special care and under privilege.

### SERIOUS ISSUE BUT PREPARED

Most organizations have issues that they, to a certain degree, expect and prepare for, such as a significant theft. Systems have been designed and special investigative staff have been trained to address these issues.

### LINE MANAGER/HR LEVEL

These issues, often HR related, warrant the attention of management, but may not require privilege or process and investigators. They are often delegated to management, but could escalate at any phase.

## PITFALLS



### FUNNEL TOO NARROW

If you can't focus on a full range of data sources, you may miss serious issues.



### BIG BROTHER CULTURE

Collect as much data as possible, but be wary of establishing a tattletale, gadfly or Big Brother culture.



### MISSING THE BIG ONES

Organizations that can't have the right competence and independence filtering to really scrutinize the issues as they come in can miss complaints that can later turn into very large problems.



### MAKING EVERYTHING A BIG ISSUE

Without a tier or triage system, all issues become big ones and organizations waste time and resources. Over-use of privilege is also a pitfall.



### ASSIGNING TO THE WRONG GROUP

Some issues require specialized or technical knowledge or investigation skills. Don't assign a manager when you need a lawyer or consultant.



### CHERRY-PICKING BY TOP EXECUTIVES

A lowering too much management override or exceptions to the investigation process can lead to biased investigations and lost objectivity.



### SUPERFICIAL INVESTIGATION

There can be more to the issue than meets the eye. Investigators need to dig to find out what the issue really is. Often, the initial description does not fully represent the real issue.



### DIGGING TOO DEEP

Investigators need to know when to stop. Overreaching investigations can consume company resources and distract employees.



### TRAMPLING ON EVIDENCE

Inexperienced investigators can inadvertently destroy, corrupt or fail to adequately secure critical evidence.



### THE FIRST 48 HOURS

The first 48 hours of an investigation are critical yet this is where many mistakes are made. Getting on the right track is paramount and will be important later on to regulators and other stakeholders. If an organization gets off-track in the first 48 hours, it can be difficult and costly to get back on track.



# Governance requirements include:

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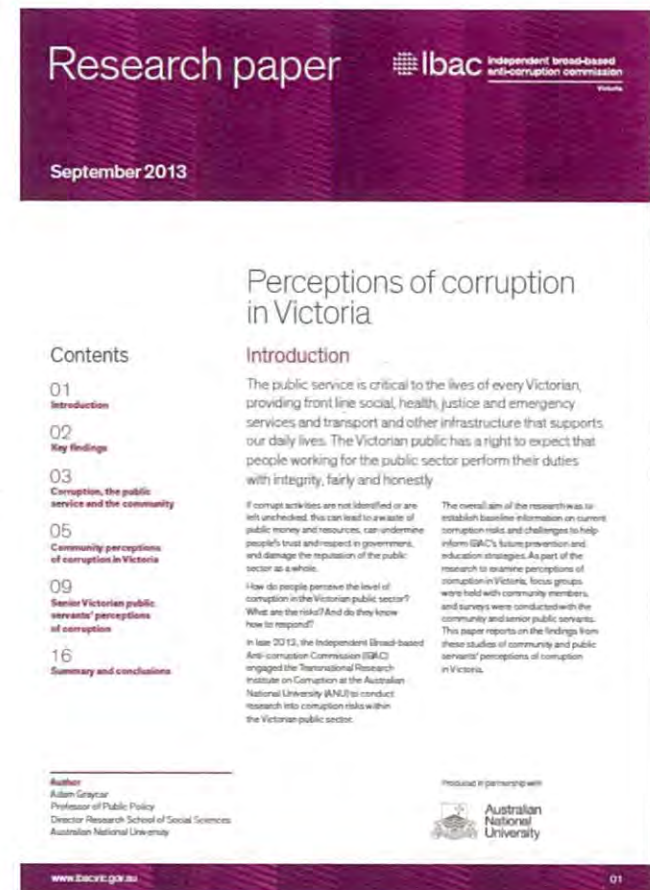
- ▶ *Public Administration Act 2004*, especially Part 2 section 7 (public sector values), & Part 3 Division 4 section 22 (Dealing with misconduct – incl. reduction in salary or classification or both, suspension or dismissal), & Part 3 Division 8 section 33-35 (Termination incl. of non-executives, executives, & no compensation on termination of employment, etc.)
- ▶ *Financial Management Act 2004*, especially the *Standing Directions of the Minister for Finance* which includes a requirements that public sector agencies establish a system of internal controls which are adequate for the safeguarding of assets, including the prevention and detection of fraud, and theft and losses reporting rules (4.5.4)
- ▶ *Public Sector Management and Employment Act 1998*
- ▶ *Independent Broad-based Anti-corruption Commission (IBAC) Act 2011*
- ▶ *Protected Disclosure Act 2012*
- ▶ *Code of Conduct for Victorian Public Sector Employees*
- ▶ Victorian Auditor General Office (VAGO) and their annual reports reviewing government organisations with the consistent conclusion that all public sector agencies should review the adequacy of their fraud management practices (with a reference to the leading practice of the Australian Standard *AS 8001-2008 Fraud and Corruption Control*).
- ▶ DTF Financial Management Compliance Framework (esp. re thefts and losses)
- ▶ *Charter of Human Rights and Responsibilities Act 2006*



# IBAC: *Relevance*

ANU and IBAC September 2013 findings from a survey of more than 800 senior public servants on their perceptions of corruption in the VPS:

- ▶ **Majority of respondents** either did not know or preferred not to identify any emerging corruption risks for their organisation
- ▶ **20%** did not know where to report corruption
- ▶ **50%** said they would not feel protected if they reported corruption
- ▶ **17%** thought that corruption had increased in the past 5 years
- ▶ **One-third** thought there were opportunities for bribery
- ▶ Bribery was thought to be the most damaging act of corruption



# ***IBAC: Key legislation, regulatory framework & responsibility***

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The *Independent Broad-based Anti-corruption Commission Act 2011* empowers IBAC to:

- ▶ Provide for the identification, investigation and exposure of serious corrupt conduct, and police personnel misconduct
- ▶ Assist in the prevention of corrupt conduct, and police personnel misconduct
- ▶ Facilitate the education of the public sector and the community about the detrimental effects of corrupt conduct and police personnel misconduct on public administration and the community
- ▶ Assist in improving the capacity of the public sector to prevent corrupt conduct and police personnel misconduct

In effect, IBAC covers some 3,600 Victorian public sector agencies and bodies, employing some 267,000 public servants (or 8.7% of Victoria's labour force), along with 79 local government councils employing more than 38,000 people. IBAC also inherited the former OPI jurisdiction over the Victoria Police.



## **IBAC: Key legislation and regulatory framework**

Under the ***Protected Disclosure Act 2012***, IBAC has a key role in:

*“... receiving, assessing and investigating disclosures about corrupt or improper conduct and police personnel conduct as well as responsibility for preparing and publishing guidelines to assist public bodies to interpret and comply with the new protected disclosures regime.”*

## The *Victorian Inspectorate Act 2011*:

*“... creates the Victorian Inspectorate and vests it with functions to monitor IBAC’s compliance with relevant laws, access IBAC’s policies and procedures and investigate and assess complaints against IBAC and IBAC personnel.”*



# PTV fraud & corruption control relevant policies & procedures

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- ▶ PTV Fraud and Corruption Control Plan (policy & procedure) 2014 – pending approval
- ▶ PTV Fraud and Corruption Response Procedure 2014 – pending approval
- ▶ Code of Conduct Policy and Principles
- ▶ Financial Code of Practice
- ▶ Making Protected Disclosures
- ▶ Protected Disclosure Welfare Management Policy
- ▶ Conflict of Interest Policy
- ▶ Gifts, Benefits and Hospitality Policy
- ▶ Procurement Procedures and Approval
- ▶ Financial Authorisations
- ▶ Risk Management Policy and Framework
- ▶ Management of Misconduct (Procedures)
- ▶ Managing Unsatisfactory Work Performance






# Fraud/corruption control roles & responsibilities

Specific fraud & corruption control responsibilities
Chief Executive Officer ('CEO')
PTV Board of Directors ('Board')
PTV Audit and Risk Committee ('Committee')
Executive Director, Corporate Services *
Fraud and Corruption Control Officer ('FCCO') who is the Director, Finance who may delegate tasks as appropriate *
Director, Finance *
Director, Governance and Legal *
Director, Human Resources *
Chief Information Officer ('CIO') *
Internal Auditor / Manager, Audit and Assurance *
Fraud and Corruption Response Team ('FCRT')
Line Management
All employees, contractors and consultants



# Fraud/corruption control roles & responsibilities


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Role/Individual	Responsibilities
<p>Line Management</p> 	<ul style="list-style-type: none"><li>• Has a basic understanding of fraud and corruption and be aware of the red flags</li><li>• Understand their role within the internal control framework. PTV employees should understand how their job procedures are designed to manage fraud and corruption risks when non-compliance may create an opportunity for fraud or corruption to occur or go undetected</li><li>• Read and understand policies and procedures (e.g., the <i>FCCP</i>, <i>Code of Conduct Policy and Principles</i>, etc.)</li><li>• Participate in the process of creating an effective internal control environment and designing and implementing fraud and corruption control activities, as well as participate in monitoring activities</li><li>• Report suspicions or incidents of fraud and corruption to the FCCO</li><li>• Cooperate in investigations</li></ul>



# Fraud/corruption control roles & responsibilities

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Role/Individual	Responsibilities
<p>All employees, contractors and consultants</p> 	<ul style="list-style-type: none"><li>• Required to embrace public sector values and contribute to an ethical workplace culture</li><li>• Understand the ramifications for improper conduct</li><li>• Recognise the value and importance of personally contributing to fraud and corruption control</li><li>• Have an understanding of good work practices, systems and controls</li><li>• Understand the different types of fraud and corruption that can occur in the workplace and how to detect and report activities that appear irregular or suspicious</li></ul>

# What is your role, and where to report any suspicions, allegations or concerns

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Any PTV employee may receive reports of suspicions or observations (allegations) of fraudulent or corrupt conduct **provided that they are not protected disclosures (which can only be made to IBAC).**

This may be received from within or outside of PTV and must be reported immediately by the employee, their line manager or director or any manager or director to:

- ▶ The Fraud and Corruption Control Officer ('FCCO') [Director, Finance, or designate]; or
- ▶ The Director, Governance and Legal; or
- ▶ The Board of Directors ('Board'), if the alleged fraudulent or corrupt activity involves the CEO or a member of the senior management team.

A report can be made at any time directly to:

- ▶ IBAC (1300 735 135 or visit [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au) )



# A 'protected disclosure'

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- ▶ A protected disclosure is a report made by a person about improper conduct of public bodies or public officials, or about detrimental action against a person by public bodies or public officials in reprisal for the making of a protected disclosure by any person. A complaint or allegation that is already in the public domain will not normally be a protected disclosure
- ▶ (Refer to the *Protected Disclosure Act 2012*, Section 3 for the full definition of protected disclosure)
- ▶ As mentioned, a protected disclosure can only be made to IBAC, and **NOT** to PTV

# Some do's upon discovery of suspected fraud or corruption

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If you are approached by someone who wishes to report an allegation or suspicion of fraud or corruption:

- ▶ Take comprehensive notes concerning the issue (nature of incident, persons involved, date, time, potential losses, details of witnesses, sources of potential evidence, etc.) and retain those notes
- ▶ If documentary evidence is produced, retain documents and seek to identify the location of any other documents or exhibits
- ▶ Report the matter to those specified in this training (**unless a protected disclosure which can only be reported to IBAC**), specifically the Fraud and Corruption Control Officer ('FCCO') [Director, Finance, or designate], or the Director, Governance and Legal
- ▶ Do not conduct an investigation yourself because you may inadvertently alert people (including the person against whom the allegations relate, compromise evidential integrity, etc.)



# Some do's upon discovery of suspected fraud or corruption

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- ▶ Do not ignore, or treat as trivial, a person's allegations/suspensions
- ▶ Do not risk the confidentiality and protection of a person providing information, and always obey the law including any requirements under the *Independent Broad-based Anti-corruption Commission (IBAC) Act 2011* and the *Protected Disclosure Act 2012*, and also PTV's policies and procedures
- ▶ Do not start digging around for electronic or computer stored information because you may inadvertently modify potential evidence which may make it inadmissible

# Training evaluation and feedback form

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Date: \_\_\_\_\_ Time: \_\_\_\_\_ Location: \_\_\_\_\_

Overall for this PTV fraud and corruption control awareness training, on a scale of 1 (needs improvement) to 5 (better than expectations), please circle one for each of the following:

How would you rate the usefulness of the training content to your daily work at PTV?

1                      2                      3                      4                      5

How would you rate the quality of training delivery?

1                      2                      3                      4                      5

Which part of the training was most useful?

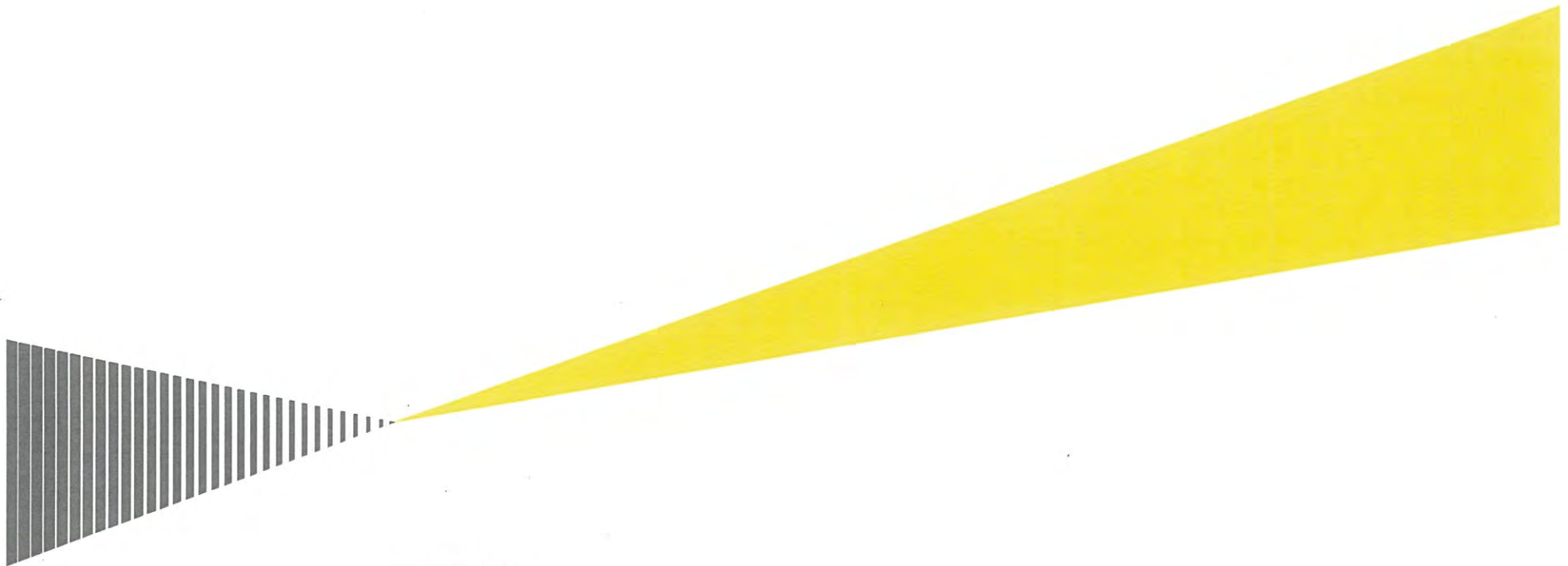
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Are there any parts of the training content that you would change? If so, what?

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# Thank you and Q&A







## **ANNEXURE 7**

### **EXTRACT FROM PTV ONLINE INDUCTION PACKAGE**





## Fraud and Corruption Prevention

## Fraud and Corruption Prevention

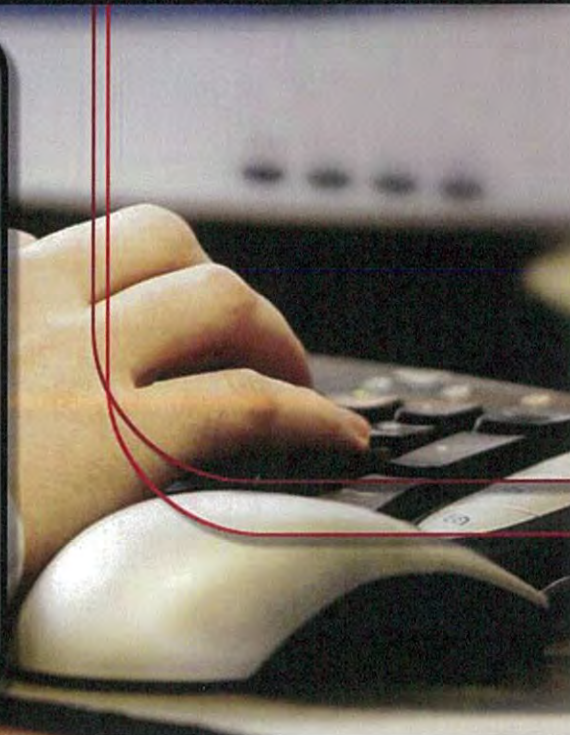
PTV is committed to maintaining high standards of ethical conduct but recognises that fraud or corruption can occur even in organisations that aim for high standards of legal, ethical and moral behaviour.

PTV requires all board members, directors, managers, employees, contractors, consultants and other relevant third parties to act honestly, with integrity and to safeguard the public resources for which they and PTV are responsible.

PTV does not tolerate fraudulent or corrupt conduct under any circumstances and any fraudulent or corrupt conduct will be investigated and reported as appropriate.

You must be familiar with the Fraud and Corruption Policy and the Code of Conduct for Victorian Public Sector Employees. To access them please click [here](#) and [here](#).

Click here to confirm you have read the Fraud and Corruption Control Policy and the Code of Conduct for Victorian Public Sector Employees and agree to abide by them



## Fraud and Corruption Prevention

## Fraud and Corruption Prevention

The following reporting channels are available to all PTV staff should a suspicion or event surrounding fraud and corruption arise.

Any PTV person who wishes to make a disclosure of corrupt or improper conduct engaged in by PTV and/or its employees, should make such disclosure directly to the Independent Broad Based Anti-Corruption Commission (IBAC). In essence, where such a disclosure is made in accordance with the *Protected Disclosures Act*, that person will be afforded protection from reprisals by the relevant public body or any officer, member or employee of that public body (protected disclosure).

Reports of information that are **not protected disclosures** may be made to the following:

- the Director - Finance
- the Director - Governance and Legal
- the Board of Directors, if the allegation involves senior management

For more information on protected disclosures and for the contact details for IBAC please [click here](#) to go to the *Protected Disclosures Act* page under policies and procedures on the PTV intranet.

