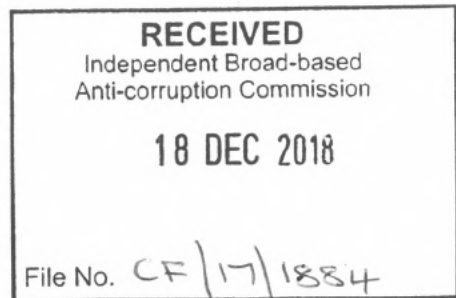


18 December 2018

Alistair Maclean  
CEO  
Independent Broad-based Anti-corruption Commission  
Level 1, North Tower  
459 Collins Street  
Melbourne VIC 3000



Dear Mr Maclean

**Report in response to Operation Lansdowne recommendation**

Please find attached *V/Line Report – response to Operation Lansdowne recommendation*.

The attached report provides detail of those actions V/Line has taken in response to the Independent Broad-based Anti-corruption Commission's recommendation.

V/Line understands that addressing the vulnerabilities outlined during Operation Lansdowne, as well as strengthening controls across the organisation, does not end with this report. V/Line will continue to reinforce the initiatives outlined in the attached response including ongoing education and awareness of our staff and those who supply services to V/Line.

Yours sincerely



**James Pinder**  
Chief Executive Officer

Encl:





# **V/Line Report – response to Operation Lansdowne recommendation**



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# 1. Background

On 8 December 2017, the Independent Broad-based Anti-corruption Commission's (IBAC) report titled *Operation Lansdowne* was tabled in Parliament. The report examined allegations of serious corrupt conduct relating to South West Institute of TAFE and Bendigo Kangan Institute of TAFE [REDACTED].

[REDACTED]

IBAC's investigation expanded to include the circumstances surrounding the recruitment of particular employees and the engagement of certain contractors [REDACTED] by V/Line.

The investigation identified that between 2013 and 2016 there was a clique of senior V/Line officers who placed undue emphasis on who people knew and personal friendships, wilfully disregarding the required public-sector merit-based procurement and recruitment standards.

## 2. IBAC's Recommendation to V/Line

The Operation Lansdowne Report included five recommendations, two directed to the Department of Education and Training, one to South West Institute of TAFE and Bendigo Kangan TAFE, one to the Department of Premier and Cabinet, and one to V/Line.

IBAC's recommendation to V/Line is:

### **Recommendation 4**

*The CEO of V/Line to provide IBAC with a report by 31 December 2018 on how the issues identified in Operation Lansdowne have been addressed, including how it intends to strengthen its systems and controls in relation to procurement, recruitment and conflict of interest.*

## 3. Purpose and Scope

The purpose of this document is to provide IBAC with a response to *Recommendation 4* of the Operation Lansdowne Report. In considering the implementation of IBAC's recommendation, V/Line has had regard to:

- the specific vulnerabilities identified in Operation Lansdowne;
- IBAC's recommendations to the Department of Education and Training, the Department of Premier and Cabinet, South West Institute of TAFE and Bendigo Kangan TAFE and how these apply to the transport sector and to V/Line specifically; and
- new steps that V/Line has, or will take, to address vulnerabilities identified by the Operation Lansdowne investigation.

V/Line understands that addressing the vulnerabilities outlined during Operation Lansdowne, as well as strengthening controls to prevent fraud and corruption across our organisation does not end with this report to IBAC but is an evolving and continuing journey where integrity remains a key focus for V/Line.

## 4. Vulnerabilities Identified in Operation Lansdowne

The Operation Lansdowne report highlights key vulnerabilities identified during IBAC's investigation into [REDACTED] South West Institute TAFE, Bendigo Kangan TAFE and V/Line. Vulnerabilities that involved V/Line include:

- V/Line's procurement and recruitment processes had been ignored or bypassed on numerous occasions;
- Conflicts of Interest in procurement activities were not disclosed; and
- Probity checks were not conducted on contractors.

## 5. Summary of Implementations

The following points provide a summary of the key ways V/Line has, and will continue to, address issues identified in the Operation Lansdowne report and strengthen systems and controls in relation to procurement, recruitment and conflict of interest.

### 5.1 Recruitment

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- Review of V/Line's recruitment processes and supporting systems completed.
- Updated *Recruitment and Selection Procedure* released to all staff.
- New *Recruitment and Selection of Temporary Staff* procedure created.
- All persons who apply for a position at V/Line are party to a competitive merit-based recruitment process, unless a direct selection is approved.
- Appointment of a new pre-employment probity provider for V/Line probity checks.
- Successful candidates, without exception, required to undergo probity checks before starting at V/Line.
- Appropriate exemption for direct selection of staff created and documented.
- Conflict of interest declarations required from all parties to a recruitment activity, whether a conflict exists or not.

## 5.2 Procurement

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- Procurement Oversight Committee meets quarterly.
- Conflict of interest forms to be completed by all persons involved in a procurement activity, regardless if a conflict exists or not.
- Exemption process created and documented.

## 5.3 Conflict of Interest

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- Conflict of interest policy reviewed and updated.
- General Manager Integrity role tasked with being central point of contact for all conflict of interest matters.
- Conflict of interest corporate communications sent to all staff on regular occasions via email, and segments in 'VNews', V/Line's internal fortnightly business update.
- Conflict of interest declarations required from all parties to a recruitment activity, whether a conflict exists or not.
- Conflict of interest declarations to be made by all parties involved in a procurement activity, regardless if a conflict exists or not.
- Recruitment conflict of interest forms moved to a dedicated online portal.

## 5.4 Contractor/Consultant Management

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- New *Engagement of Contractors and/or Consultant* guideline created.
- Contractors/consultants are subject to probity checking prior to starting at V/Line.

## 5.5 General

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- Staff and contractors involved in improper actions and behavior at V/Line and named in the Operation Lansdowne report no longer work at, or for, V/Line.
- V/Line's General Counsel, external Legal Counsel (DLA Piper), Executive General Manager, People and the Chief Procurement Officer conducted face to face integrity sessions with the V/Line Board and Executive Leadership Team (ELT).
- Integrity Support Project and Integrity Support Project Committee formed.
- The role of *General Manager Integrity* created and staffed.
- Professional Standards and Governance Training rolled out to all staff.



- Induction *Integrity Module* upgraded and delivered by General Manager Integrity to new staff at all corporate inductions.
- V/Line Values refreshed.
- *Integrity Support Service* (Whistleblowing Hotline) established.
- Integrity-specific intranet site created and available for all V/Line staff.

## 6. Implementation in Detail

### 6.1 Recruitment

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Along with the actions detailed below, V/Line have considered and aligned our recruitment practices with IBAC's paper titled *Corruption and misconduct risks associated with employment practices in the Victorian public sector* released in August 2018.

#### **6.1.1 Review completed of V/Line's recruitment processes and supporting systems.**

V/Line's recruitment processes and supporting systems have been reviewed to ensure alignment and consistency to V/Line and the Victorian Public-Sector Commission (VPSC) policies and procedures. As part of this review, the following areas were considered:

- that conflict of interest is better understood, declared and well-managed;
- identification of gaps in current processes;
- pre-employment screening;
- recruitment and selection of temporary staff;
- pre-employment checking of candidates; and
- procedures for making direct appointments of staff.

#### **6.1.2 Updated Recruitment and Selection Procedure released to all staff.**

Upon completion of the review into recruitment processes and supporting systems, an updated Recruitment and Selection Procedure (HRPR-22) was created by the V/Line People Function. This review included input provided by the Executive General Manager Enterprise Governance and Risk, General Counsel and General Manager Integrity.

The Recruitment and Selection procedure was updated to incorporate the following:

- the requirement for conflict of interest to be declared by all participants in a recruitment activity, whether a conflict exists or not, and to be completed early in the process;



- the process for applying for, and having an exemption approved for a direct appointment (i.e. application for a non-competitive recruitment process in instances such as succession planning and targeted skills-based recruitment where required);
- the requirement for a minimum of a three-person panel for interviews at the ELT and Senior Leadership Team (SLT) levels;
- alignment with best practice of advertising for roles internally and/or externally to V/Line; and
- corporate induction to be completed within three months of all employee's starting at V/Line.

The updated Recruitment and Selection procedure was released to all staff via V/Line's Information Management System on 24 May 2018.

#### **6.1.3 *New Recruitment and Selection of Temporary Staff procedure created.***

During the review of V/Line's recruitment and selection processes, a gap was identified regarding selection of temporary staff. The People Function have created a procedure relating to the recruitment and selection of temporary staff. This procedure mirrors the procedure used by V/Line staff to recruit and retain permanent staff, but for short term/ temporary requirements.

This procedure includes the requirement for all temporary staff to have probity checks completed prior to beginning work at V/Line. These checks include:

- National police check;
- Entitlement to work in Australia;
- Education/qualification verification;
- Prior employment verification;
- Rail safety health assessment (if required); and
- Fitness medical check (if required).

#### **6.1.4 *All persons who apply for a position at V/Line are party to a competitive merit-based recruitment process.***

Candidates who apply for employment at V/Line are subject to a competitive merit-based recruitment process (unless the procedure for a direct appointment has been followed).

A merit-based recruitment process at V/Line targets and assesses talent based on knowledge, skills, attributes and experiences as these relate to the requirements of the position and operational needs. It encourages fairness, equity and respect for social inclusiveness and cultural and gender diversity and is consistent with the principles of equal employment opportunity.

#### **6.1.5 Appointment of new pre-employment probity supplier for all V/Line probity checks.**

In late 2017, V/Line's People Function went to market to select a new pre-employment probity provider. Requirements included reduction in turnaround time to facilitate a more efficient recruitment process, improve ease of use, and provide near instant return of National Police History checks.

In June 2018, a new supplier was selected as V/Line's probity provider. The supplier has a secure online facility that allows appropriately appointed V/Line staff to access a portal to co-ordinate pre-employment background checks and provides candidates the ability to provide their details including copies of identity documents.

V/Line, through the supplier, now has the ability to perform the following background checks:

- Australian and international criminal history checks;
- Entitlement to work (VISA);
- Credit, Bankruptcy, ASIC, AFS, AML and CTF checks; and
- Employment, qualification and identity verification.

The reduced turnaround time offered by the newly appointed supplier addresses an identified deficiency that the length of time police checks took to return were impeding new starters and impacting the flexibility of bringing on contractors in circumstances where urgent resources were required. This change is seen as a means of supporting a reduction in the risk of non-compliance.

#### **6.1.6 Successful candidates required to undergo probity checks before starting at V/Line.**

All successful candidates are required to undergo appropriate probity checks before commencement of employment at V/Line. Dependant on circumstances (for example, the requirement for international police and education qualification checks, where these checks may delay in securing the right candidate) a verbal or written offer of employment may be made, conditional on clear returns of a police check, educational qualification checks or other probity requirements.

Currently the following are mandatory checks conducted on external candidates who are successful in obtaining a role at V/Line:

- National Police History check (International if the candidate has resided outside of Australia);
- Entitlement to work in Australia (VISA);
- Education qualification verification;
- Identity verification; and



- Prior employment reference checks.

Additional checks such as a Rail Safety Health Assessment and Fitness Medical may be required dependant on the role the candidate will be performing at V/Line.

#### **6.1.7 Appropriate exemption for direct selection of staff created and documented.**

During the review of the recruitment and selection procedure and overarching processes and systems that support recruitment at V/Line, the need for a documented method for direct selection to roles was identified. A direct selection negates the requirement for a competitive selection process, however strict circumstances apply for when this method of recruitment can be considered. These circumstances are:

- where the nominated candidate has a unique or specific skill set which is strongly desired;
- where a position requires a high degree of specialist knowledge or skill;
- where a position has been identified as a development opportunity for high performing talent;
- where rapid action needs to be taken to attract an outstanding candidate, or to retain key talent within V/Line; and/or
- where a major re-organisation has taken place, jobs have been redesigned, and/or where existing employees must be accommodated within a new organisation structure.

The Chief Executive Officer, Executive General Manager People and Executive General Manager Enterprise Governance and Risk, after assessment of the situation against the above criteria, must jointly agree to approve not advertising a vacancy (internal or external) but fill the vacancy with a direct selection. The successful candidate is still required to undergo an interview to demonstrate competency as well as any usual probity checks required.

#### **6.1.8 Conflict of interest declarations required from all parties to a recruitment activity, whether a conflict exists or not.**

See conflict of interest at section 6.3.

## **6.2 Procurement**

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### **6.2.1 Procurement Oversight Committee.**

The Procurement Oversight Committee (POC) was formed initially in 2015.

The POC currently meets on a quarterly basis, and reviews key procurement trends and actions of the wider business in relation to procurement as presented by the Chief Procurement Officer. The POC ensures value creation and risk minimisation via the application of effective and consistent procurement strategies, processes and initiatives.

The POC also oversees V/Line's compliance with obligations under regulatory requirements in relation to, and the effectiveness of, its procurement systems and processes.

The POC is chaired by the CEO of V/Line and comprises the additional senior personnel below:

- Chief Financial Officer;
- Executive General Manager Asset Management;
- Executive General Manager Strategy and Program;
- Executive General Manager Enterprise Governance and Risk; and
- Chief Procurement Officer.

The POC reports to the Audit, Finance and Risk Committee annually regarding its performance.

**6.2.2 Conflict of interest forms to be completed by all persons involved in a procurement activity, regardless if a conflict exists or not.**

See conflict of interest at section 6.3.

**6.3.3 Exemption process created and documented.**

A requirement was identified for V/Line staff to be able to undertake a procurement process where exemption from the usual procurement processes may be required. An exemption process was formalised in July 2017.

The exemption process is used only where particular exceptional circumstances exist. One or more of the following factors are required before an exemption can be granted by the Chief Procurement Officer and the Chief Financial Officer.

- Matters of urgent public health, security or safety as a consequence of an unforeseen event or circumstance.
- An absence of competition or where specialist expertise is required.
- Where the goods or services can only be supplied by a particular supplier and no reasonable alternative or substitute goods or services.
- For additional delivery of goods and services that are intended either as replacement parts, extensions or continuing services for existing equipment, software, services, or installations where a change in supplier would necessitate the procurement of goods and service that do not meet the requirements of interoperability or interchangeability.
- Where it is intended to procure a prototype of a first good or service that is developed in the course of, and for, a particular contract for research, experiment, study or original development.



All exemptions to the procurement process are reported to the Procurement Oversight Committee.

## **6.3 Conflict of Interest**

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The noncompliance with a Conflict of Interest Policy was a key finding by IBAC during the Operation Lansdowne investigation as it related to V/Line. Conflicts were not declared or managed during procurement and recruitment activities.

### **6.3.1 Conflict of interest Policy created/updated**

V/Line's stand-alone Conflict of Interest Procedure was created in January 2016 (prior to this conflict of interest was covered in the Code of Conduct and procurement procedures). This document has been updated several times.

The current policy requires V/Line staff to declare conflicts of interest as soon as they are identified. Conflict of interest management plans are created by the General Manager Integrity for any conflicts that are identified.

### **6.3.2 General Manager Integrity role tasked with being central point of contact for all conflict of interest matters.**

The General Manager Integrity is currently the central point for declarations of conflict.

### **6.3.3 Conflict of interest communications have been sent to all staff on a regular basis via email and through segments in 'VNews', V/Line's internal fortnightly business update.**

V/Line Integrity utilise V/Line's fortnightly business update magazine V/News and corporate communication emails to all staff to remind staff of their obligations around conflict of interest declarations, as well as Gift, Benefits and Hospitality management.

### **6.3.4 Conflict of Interest declarations required from all parties to a recruitment activity, whether a conflict exists or not.**

All parties to a recruitment activity are now required to complete a conflict of interest declaration, irrespective of whether a conflict exists or not.

### **6.3.5 Conflict of interest declarations to be made by all parties involved in a procurement activity, regardless if a conflict exists or not.**

All parties to a procurement activity are now required to complete a conflict of interest declaration, irrespective of whether a conflict exists or not.

### **6.3.6 Recruitment conflict of interest forms moved to a dedicated online service using SharePoint forms.**

In late 2018 all conflict of interest declarations made for recruitment activities at V/Line were transitioned from a paper-based form, to an online system.

This allows both the People team, in particular the Recruitment Business Partner, and the General Manager Integrity to confirm that individual declarations have been made, when they have been made, and any conflicts.

## 6.4 Contractor/Consultant Management

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### 6.4.1 New Engagement of Contractors and/or Consultants Procurement Guideline created.

During reviews of the recruitment and procurement procedures and policies, V/Line identified a gap in relation to requirements to undertake probity for short to medium term resources provided by consultants or contractors.

Reviews conducted showed that while probity was conducted on recruitment of contractor resources, the requirement was not embedded in formal procedures.

A new guideline has been created to address gaps, and to cover engagement of consultant or contractors and also takes into account consideration of the Recruitment and Selection of Temporary Staff procedure.

The new guideline addresses the following:

- the difference between a contractor and consultant, the nature of when to engage and types of services;
- conflicts of interest declaration;
- probity and reference checking;
- that contractor/consultant resources are to attend V/Line's corporate induction if they are employed continuously for 3 months or more, or part time for six months or more; and
- the process for engaging a consultant or contractor resource.

### 6.4.2 All contractors/consultants are subject to probity checking prior to starting at V/Line.

As outlined above. Acknowledging the diverse workforce that V/Line employees across professional, technical and labour workforce, the guideline also outlines what type of probity is required for what resource, and who is responsible for proving these checks to V/Line.

## 6.5 General

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### 6.5.1 Staff and contractors involved in improper actions and behaviour at V/Line and named in the Operation Lansdowne report no longer work at, or for V/Line.

### 6.5.2 V/Line's General Counsel, external Legal Counsel (DLA Piper), Executive General Manager, People and the Chief Procurement Officer have conducted face to face integrity sessions with the V/Line Board, and Executive Leadership Team (ELT).

In October 2017, V/Line's General Counsel, Executive General Manager People and the Chief Procurement Officer, with external legal advisors (DLA Piper) presented an integrity focused awareness session to both the V/Line Board, and all members of the



ELT including the Chief Executive Officer covering the following items:

- Lessons learnt from Operation Lansdowne;
- Setting the tone from the top, modelling of good behaviours;
- Outlining the current procurement and recruitment processes, focussing on compliance; and
- Articulating V/Line values, explicitly around integrity.

During 2018 further sessions focused on Integrity have been held with the ELT.

#### **6.5.3 Integrity Support Project and Integrity Support Project Committee formed.**

To support V/Line staff through changes and reviews that have been undertaken an Integrity Support Project, was created, guided by Integrity Support Project Committee (ISPC). The ISPC has met regularly comprising of the following V/Line staff:

- Executive General Manager Enterprise Governance & Risk;
- Executive General Manager People;
- Executive General Manager Customer;
- Chief Financial Officer;
- Company Secretary;
- Chief Procurement Officer;
- General Counsel; and
- General Manager Integrity (Chair).

The primary responsibility of the IPSC has been to address vulnerabilities identified by IBAC during Operation Lansdowne, and to support the implementation of system improvements in response to those vulnerabilities.

#### **6.5.4 The role of General Manager Integrity created and staffed.**

In December 2017, recruitment for a newly created position of General Manager Integrity was completed. This position is responsible for:

- managing fraud and corruption education, awareness, prevention, detection and investigation;
- being a central point of contact and advice for conflict of interest, and gifts, benefits and hospitality management;
- management of the *Integrity Support Service* including reporting whistleblowing trends to the Audit, Finance and Risk Committee at each meeting;

- acting as the conduit between IBAC, Victorian Ombudsman, Victoria Police and V/Line regarding instances of fraud and/or corruption; and
- leading the response to IBAC's Operation Lansdowne and chairing the IPSC.

In addition, the General Manager Integrity has undertaken random or targeted reviews of recruitment and procurement activities to support compliance, governance and ongoing education across V/Line.

The General Manager Integrity reports through to the Executive General Manager Enterprise Governance and Risk on a daily basis, and has a dotted line report to the CEO and the Chair of the Audit, Finance and Risk Committee.

#### **6.5.5 Professional Standards and Governance Training rolled out for all staff.**

In June 2017, a newly designed eLearning module titled *Professional Standards and Governance* was rolled out by the V/Line Learning and Capability team to the V/Line Broader Leadership Team.

This eLearning module was the subject of a Gold Class award in the category of *Best Learning and Capability Project – Compliance* at the LearnX awards in September 2017.

In April 2018, the eLearning module *Professional Standards and Governance* was updated and rolled out by the V/Line Learning and Capability team after consultation and testing with the General Manager Integrity.

The course utilises specific scenarios tailored to V/Line's business to ensure that the learning outcomes are contextualised and aligned to V/Line's code of conduct and values framework. The course covers the following subjects:

- Conflicts of interest;
- Fraud and corruption;
- Gifts, Benefits and Hospitality;
- Corporate Governance; and
- V/Line's values and Code of Conduct.

#### **6.5.6 Induction integrity module upgraded and delivered by General Manager Integrity at all corporate inductions.**

Each new employee at V/Line is required to undergo V/Line's corporate induction program. As part of this program, each employee is required to attend a full day of corporate induction.

An integrity-specific module was upgraded and is delivered by the General Manager Integrity, highlighting V/Line's focus on Integrity as one of our key values. The only other external presentations are made by the CEO, and the Executive General Manager Health, Safety and Environment.



The interactive presentation focuses on the following areas:

- Introduction of the Integrity function at V/Line;
- Conflicts of interest;
- Gifts, Benefits and Hospitality;
- Identification of fraud and/or corruption incidents; and
- The Integrity Support Service.

#### **6.5.7 V/Line Values Refreshed**

V/Line has placed a renewed focus on its Values and launched five (5) new values in August 2017. The values are:

- *Accountable* – we hold ourselves and others to account for the work that we do;
- *Be Bold* – we challenge, share ideas and empower our people to speak up;
- *Integrity* – we are honest, ethical and transparent;
- *Respectful* – we value others and accept their differences; and
- *Be our Best* – we always strive for excellence and deliver this to our customers, colleagues, and community.

V/Line's People Function are implementing a detailed plan to embed the values across the organisation and to date have focused on *Integrity* and *Be our Best*.

V/Line's values have been included in position descriptions and in induction material for new employees, ensuring visibility at the earliest stage of employment. Position descriptions are being reviewed progressively as positions are advertised to align skills, values, qualifications, and experience with candidates.

The V/Line's values also form part of yearly performance reviews for employees. V/Line has relaunched its Code of Conduct which details responsibilities and obligations of working in the public sector and included a training focused on '*What must I do to comply with this?*' actions for each our obligations. The Code of Conduct is aligned to safety, environmental awareness, customer service, working ethically, responsibility, efficiently and covers conflict of interest.

#### **6.5.8 Integrity Support Service (Whistleblowing Hotline) established.**

In February 2018, the Integrity Support Service (Whistleblowing Hotline) was established. The service provides staff, vendors, contractors and customers multiple methods to report any concerns related to instances of fraud, corruption or other illegal or unethical behaviour relevant to V/Line. Reports can be made anonymously.

The service is operated by an independent specialist supplier who has clients across

both the public and private sector. Disclosures to the Integrity Support Service can be made via phone, email, website, fax, mail, or smartphone application.

All disclosures made to the Integrity Support Service are triaged first by the supplier's trained forensic investigators, and then provided to the General Manager Integrity for action.

#### **6.5.9 Integrity-specific intranet site created and available for all V/Line staff.**

A new, integrity-specific intranet page has been designed and rolled out for use by all staff. This page has been designed to provide easy access to information and links for procedures, policies and guidance notes about the following topics:

- Conflict of Interest;
- Gifts, Benefits and Hospitality;
- Protected Disclosures;
- Mandatory Notifications to IBAC;
- Integrity Support Service; and
- Contact details for the General Manager Integrity.