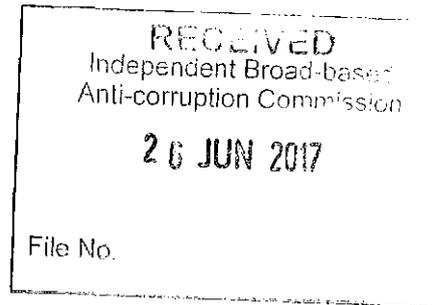




Department of Treasury and Finance

1 Treasury Place
Melbourne Victoria 3002 Australia
Telephone: +61 3 9651 5111
dtf.vic.gov.au
DX210759



22 JUN 2017

Stephen O'Bryan QC
Commissioner
IBAC
GPO Box 24234
MELBOURNE VIC 3001

Dear Commissioner

DTF RESPONSE TO IBAC'S SPECIAL REPORT *OPERATION DUNHAM: AN INVESTIGATION INTO THE CONDUCT OF OFFICERS AT THE DEPARTMENT OF EDUCATION AND TRAINING, INCLUDING DARRELL FRASER, IN CONNECTION WITH THE ULTRANET PROJECT AND RELATED MATTERS*

On 27 January 2017, you wrote to the Department of Treasury and Finance (DTF) formally advising the outcome of IBAC's *Operation Dunham*, an investigation into allegations of corrupt conduct at the Department of Education and Training (DET).

You requested that DTF consider the issues raised in your special report and identify whether there are any opportunities to further improve Gateway and high value high risk (HVHR) reviews in relation to procurement and governance practices. In particular you requested DTF to report on:

- whether or not DTF has taken action as recommended by IBAC; and
- if DTF has not taken action or does not intend to take the recommended action, the reason for not taking or intending to take the action.

I advise that DTF is currently reviewing and updating both the Gateway review process and the HVHR framework to consider the issues raised in IBAC's report, as well as broader policy issues.

The Gateway Review Process

Gateway reviews of procurement milestones for the Ultrahnet project were undertaken in 2008. Since then, DTF has introduced practice changes that increase the likelihood that any procurement, probity and governance issues identified in Gateway reviews are escalated to DTF and Government.

Gateway reviews are an independent process reporting to the project's Senior Responsible Owner (SRO). The resulting Gateway reports outline recommendations for the department to consider and action. The Review team assigns each of the recommendations with a red or amber rating to indicate their importance and urgency. Previously the Gateway report and

its findings were confidential to the department. In 2011, DTF introduced a requirement for departments to:

- report any red-rated individual recommendations to the Treasurer, via DTF; and
- develop, and report against, a Recommendation Action Plan (RAP) that outlines how the department will address each red recommendation.

As a checkpoint to ensure departments escalate red flags to DTF, Gateway review teams are required to review RAPs and assess action taken to address any red recommendations arising from previous Gateway reviews of a project.

DTF is reviewing and updating its Gateway Review guidance material to provide greater clarity of the governance and probity issues that review teams should consider. This will better allow any issues to be identified at an early stage and addressed by government.

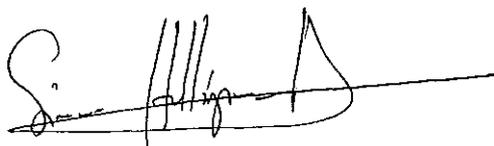
The HVHR framework

DTF introduced the HVHR framework after DET completed its procurement of the Ultramet project. The HVHR framework requires DTF analysts to report any red Gateway recommendations, as well as other deliverability, governance, procurement or project management issues, to Government prior to the Treasurer's approval of key project milestones.

DTF is reviewing the HVHR project assurance framework to provide greater clarity on governance and probity issues analysts should consider in their HVHR assessments.

If you require clarification regarding DTF's planned response, please contact Mr Joe Monforte, Director – Infrastructure Policy and Assurance on 9651 2437 or joe.monforte@dtf.vic.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Simon Hollingsworth', with a long horizontal line extending to the right.

Simon Hollingsworth
Acting Secretary