

## I Overview

The Integrity Commission's report to Parliament on 23 May 2017 titled "An Investigation into a complaint of an alleged conflict of interest against senior executive officers of TasTAFE" included several findings and recommendations in relation to conflict of interest allegations in respect of two senior TasTAFE executives. Neither of these senior executives continue to be employed by TasTAFE. Its recommendations related principally to executives and to a lesser extent the Board.

The TasTAFE Board took the opportunity provided by the release of the Integrity Commission's report to review integrity and governance practices in respect of its corporate policies across the organisation. Furthermore, on 19 May 2017 the Premier requested the Minister for Education and Training and the Chair of the TasTAFE Board to undertake a series of audits of TasTAFE recruitment and procurement processes, and compliance with corporate policies and the Treasurer's Procurement Instructions. Subsequently, the Board requested WLF Accounting and Advisory (WLF), to review the current policies in respect of employee relations, and purchasing and procurement. WLF had recently been appointed as TasTAFE's internal auditor through an open tender process, for a three year contract, with an option to extend for a further two years. WLF were also asked to examine compliance with policies and to make recommendations about changes required to address any shortcomings.

WLF found that TasTAFE had contemporary policies and practices in many of the areas it reviewed. However, it also identified that there was a lack of leadership within TasTAFE in respect to monitoring the adoption of these policies and procedures. As part of the review WLF made a number of recommendations for improvement, which the Board has accepted in full. Implementation of these recommendations is well advanced and will be substantially completed by December 2018.

The Board welcomes the opportunity to work with the executive and staff to further improve integrity and governance across the organisation. Action has already commenced on building a stronger ethical culture in line with the public sector code of conduct through the provision of ethics training for managers. Governance improvements include the development of contemporary policies and procedures in a range of areas such as purchasing and procurement, the management of conflicts of interest and personal benefits. Strengthening of the governance structure and compliance, through these changes, supports TasTAFE's role as a high quality training provider.

## 2 Background

The Integrity Commission's report provided the following recommendations to the Premier for consideration:

- Initiate a review of the availability and currency of policies and procedures within TasTAFE for officers employed within the Senior Executive Service relating to:
  - Induction at time of employment;
  - Declaration and management of conflicts of interest;
  - Procurement of contract and consultancy services, inclusive of relevant Treasurer's Instructions;
  - Use of a Tasmanian Government credit card; and
  - Recruitment of employees and other senior executive officers.
- Give consideration to any possible breaches of the State Service Code of Conduct (as provided in the State Service Act 2000) by the two former executives.

- Consider the availability and appropriateness of any induction information provided to members of public sector boards, particularly in relation to the appointment of senior executive officers.

The Board requested WLF to undertake twelve audits across a range of corporate functions. Work commenced during 2016-17 and during 2017-18 WLF completed nine of the twelve internal audits covering the Integrity Commission's recommendations and other areas identified for review by the Board. The data used to analyse compliance in the audits was principally based on the preceding two or three years prior to 2017-18.

During the completion of the first nine audits it became clear that there was significant overlap with the proposed remaining three audits, with WLF advising that the issues to be covered in audits 10 – 12 has already been adequately addressed. The Board and Minister have agreed that these will not proceed, with any outstanding items in these areas included in TasTAFE's implementation of the actions arising from the completed audits as discussed below.

WLF made many recommendations. The internal audit process provides for management to comment on these. Management has committed to their adoption with its comments shown in the attached WLF audits.

### 3 What is TasTAFE's response?

Implementation of the WLF recommendations is being co-ordinated by a project team within TasTAFE with oversight by a Steering Committee reporting to the Executive and the Board.

While WLF's work was only finally concluded in May 2018, considerable progress has already been made in adoption of the WLF recommendations. Examples include the commencement of:

- ethics training for all managers;
- the establishment of centrally managed registers in relation to conflicts of interest and gifts and benefits;
- updating a suite of human resources policies and procedures; and
- updating the purchasing and procurement policy and guidelines.

It is intended to have all recommendations substantially implemented by December 2018. TasTAFE will promote the adoption of these policies through communication with employees, training where required and regular reporting during 2018 and beyond.

A summary of the WLF audit reports follows, as well as information on the improvements made in response to the Internal Audits.

#### 3.1 WLF Audit Reports 1 - 9

##### ***Audit 1 - Recruitment and Selection***

The scope of this audit was to review the governance surrounding the recruitment and selection within TasTAFE including the structure, processes and internal control environment and to assess the level of compliance with Employment Directions issued by the Government through the State Service Management Office and existing TasTAFE HR policies relevant to recruitment and selection.

Those elements that WLF found were working well included the availability of policy documents, including relevant templates and increased support from HR for hiring managers.

Several compliance exceptions were identified where best practice recruitment processes were not undertaken.

WLF recommended improvements including the investigation of instances of noncompliance; improvements in quality assurance and compliance procedures; a review of HR resourcing by TasTAFE; and documentation of internal delegations for HR matters.

### ***Audit 2 - Use of Tasmanian Government Credit Cards***

The scope of this audit was to review the governance arrangements surrounding the use of credit cards within TasTAFE. This included reviewing the structure, processes and internal control environment to assess the level of compliance with State Government financial rules and guidelines as expressed in the Treasurer's Instructions (TIs), in this case TI 705 (see [www.treasury.tas.gov.au](http://www.treasury.tas.gov.au)) and the policy framework.

Those elements that WLF found were working well included that the existing purchasing policies were consistent with whole-of-government policies and the TIs. WLF also commented on the recent increased focus, by management, to reinforce credit card compliance across TasTAFE.

During the review WLF found breaches of the TIs and including credit card controls; as well as GST errors. As a result, WLF recommended improvements including the use of whole of organisation purchasing strategies; a full review of the internal control environment for credit cards within TasTAFE; and that the travel policy be updated to provide guidance and limits on the level of expenditure that executives can incur for food and accommodation when travelling for work related purposes.

### ***Audit 3 -Travel and Entertainment***

The scope of this audit was to review the governance surrounding travel and entertainment within TasTAFE including the structure, processes and internal control environment and to assess the level of compliance with the policy framework.

WLF found that those elements working well included that a TasTAFE policy for entertainment had been in place since September 2016, and that the processes for travel applications and claims were reasonably sound.

Its findings, resulting in recommendations for improvement, related to breaches of the travel policy and the entertainment policy.

WLF recommended improvements including that TasTAFE specific policies are developed for travel as opposed to relying on the Department of Education policies; TasTAFE to form a view on how compliance exceptions will be dealt with; and staff undergo training in relation to both travel and entertainment policies, with managers trained in the internal control framework for payments and expenditure within TasTAFE.

### ***Audit 4 - Personal Benefits***

The scope of this audit was to review the governance surrounding personal benefits within TasTAFE including the structure, processes and internal control environment and assess the level of compliance within the policy framework for personal benefits.

WLF found that those elements working well included that the policy in relation to gifts and benefits was consistent with the whole-of-government example made available by the Department of Premier and Cabinet; and that some divisions have additional processes in place to monitor use of equipment by both teachers and students where guidance was not available through the policy.

Its findings, resulting in recommendations for improvement, related to potential breaches of the State Service Act 2000 and the Code of Conduct.

WLF recommended improvements including that the policy framework be updated to provide guidance in relation to the use of TasTAFE resources for personal benefit; how the outputs from student courses such as seedlings, plants, fruit or carpentry projects will be dealt with; that declarations of gifts and benefits are managed centrally; and that ongoing ethics training is provided to staff.

### ***Audit 5 - Conflicts of Interest***

The scope of this audit was to review the control framework surrounding the management of conflicts of interest across TasTAFE.

WLF found that those elements working well included the existence of policy documents available to staff through the intranet; the existence of a comprehensive conflict of interests form that referenced the State Service Act and Code of Conduct; and that employees had made conflict of interest declarations.

Its findings, resulting in recommendations for improvement, related to potential breaches of the State Service Act and the TIs.

WLF recommended improvements including that TasTAFE consider undertaking Code of Conduct investigations for those examples identified; a compulsory training course be provided to improve awareness of responsibilities in relation to the declaration of conflicts of interest and ethical behaviour across TasTAFE; and the use of annual declarations that are reviewed by an internal independent source.

### ***Audit 6 - Procurement of Contract and Consultancy Services***

The scope of this audit was to review the governance arrangements as they related to procurement policies and practices including the level of centralisation of procurement, the use of delegations and authorisations and compliance with the TIs.

WLF found that those elements working well included that TasTAFE had commenced developing a procurement policy; the recent introduction of a central resource for procurement; and use of the intranet as a central location for the procurement standards and contract register.

WLF found there was both non-compliance with the relevant TIs and inadequate internal controls for ensuring compliance with the TIs and Procurement framework.

WLF recommended improvements including the development of a comprehensive policy for procurement; the provision of ongoing training for employees to ensure compliance with procurement policies and procedures; and that each procurement process is quality assured for compliance purposes.

### ***Audit 7 - Remuneration***

The scope of this audit was to review TasTAFE's remuneration systems including package restructuring, incentive schemes, relocation arrangements and flexible working arrangements.

WLF found that those elements working well included that policies and procedures were already largely in place for areas covered by the review; and that there was no further evidence (outside of the Integrity Commission's findings) of payments being made to employees of TasTAFE outside of their remuneration and allowances.

Its findings, resulting in recommendations for improvement, related to a lack of monitoring and documentation for salary progression; missing documentation; and above base-rate salaries.

WLF recommended improvements including that guidelines be developed for the appointment of staff to higher than base-rate remuneration; teachers' salary progressions are reviewed to ensure they are in accordance with the award and are applied appropriately; and TasTAFE review the internal control framework surrounding payroll, record retention, authorisation requirements and delegations, and that TasTAFE document and assign accountabilities for these controls.

### **Audit 8 - Human Resources Policies and Procedures**

The scope of this audit was to review TasTAFE's human resources (HR) policy and procedures framework in relation to vacancy control, performance management and terminations. WLF reviewed TasTAFE's HR policies and procedures against several criteria including whether they were contemporary, comply with the legislative framework and reflect best practice.

WLF found that those elements working well included that TasTAFE Employee Relations maintained a separate spreadsheet of HR policies, procedures, guidelines and review dates; that reasonably comprehensive frameworks were in place for work health and safety, professional development and vacancy control functions; and that Employee Relations used the Employment Directions and State Service Management Office policies.

WLF found that the HR policy and procedure framework was incomplete. As part of this audit TasTAFE identified for WLF areas where policies did not exist. WLF concluded that the HR policy function was not adequately resourced and a compliance framework was not in place to monitor the implementation of HR policies and procedures.

WLF recommended improvements including the establishment and resourcing of a formal HR policy function within TasTAFE; conducting a detailed gap analysis of TasTAFE's HR policy and procedure framework against its compliance obligations; and involvement of the Board in the approval of major HR policies and monitoring compliance with them.

### **Audit 9 - Misconduct Systems**

The scope of this audit was to review the governance structure including the processes and internal control environment surrounding misconduct within TasTAFE and where possible the level of compliance with the policy framework.

WLF found that elements working well included the existence of several policies in relation to misconduct; registers for logging misconduct complaints and forms were in place to assist in the investigation process.

WLF found that the policy framework was inadequate for the purposes of ensuring all matters of misconduct were identified and investigated; a lack of understanding of the policy framework by staff; and a risk that misconduct matters were not being captured by managers prior to a formal complaint being raised.

WLF recommended improvements to the policy framework to update the specific legal requirements; a consistent risk based framework be used across all categories of misconduct; and the use of an agency wide register for recording allegations of misconduct.

## 3.2 WLF Audit Reports 10-12

WLF advised that the proposed internal audits 10 to 12 would duplicate many of the recommendations in the first nine audits and did not need to proceed. The Board and the Minister accepted this recommendation. The following section outlines TasTAFE's proposed response in these areas.

### ***Audit 10 - Delegations***

The proposed scope of this audit was to review the governance framework around delegations, including a review of the requirement for delegations, an assessment of the delegations framework and compliance with it.

WLF advised that delegations had been extensively covered in the audits on:

- Recruitment and Selection
- Use of Tasmanian Government Credit cards
- Travel and Entertainment
- Procurement

TasTAFE is reviewing its delegations framework to ensure that it is comprehensive and that all delegations are formally documented, including the introduction of HR and academic delegations.

### ***Audit 11 - Policy and Procedure Framework***

The proposed scope of this audit was to perform a detailed review of the policy and procedure framework. This included reviewing the awareness, education, accessibility, and application and compliance protocols of the framework.

WLF advised that the policy and procedure framework has been reviewed in detail in the audit on Human Resource Policies and Procedures and that it had considered the policy framework and made recommendations in all of its completed audits.

Strengthening the policy and procedure framework within TasTAFE is currently a priority of management. TasTAFE will identify and address any gaps in the policies and procedures framework. It will also consider the adequacy of communication and training about the framework and compliance with it.

### ***Audit 12 - Employment Induction***

The scope of this audit was to assess practices followed for employment induction within TasTAFE, with a particular focus on Board members and Senior Executive Service (SES) appointees, and to develop a contemporary induction framework.

WLF advised that employment induction was examined in the Human Resource Policies and Procedures audit. Employment induction processes were also reviewed in audits addressing Recruitment and Selection, Use of Tasmanian Government Credit Cards and Travel and Entertainment. In undertaking these audits WLF found that staff were not always aware of the policy framework relating to the processes in question and that staff induction processes were informal.

TasTAFE is currently implementing a contemporary induction framework for new Board Members; Senior Executive Service; and other staff.

### 3.3 Improvements made in response to Internal Audits, May 2018

TasTAFE has a work program underway to address the audit findings. The following section provides further commentary on the range of these actions, noting that many of the audit report have only recently been received. These actions are grouped under three sub-headings: Policy and Procedure Revisions; Induction and Training; and Staffing, Partnerships and Governance.

Many of the audit findings require additional resourcing and others are matters of long-term cultural change.

#### ***Policy and Procedure Revisions***

- Recruitment processes
- Management of credit cards
- Entertainment expenditure procedure
- Gifts, benefits and hospitality
- Conflicts of interest
- Procurement policy and procedure
- Public Interest Disclosure procedure

Improvements have been made in a range of areas that have been identified in the internal audit reports. This has resulted in the development of new processes and the implementation of refinements to existing processes to ensure that key risk areas are being successfully managed.

Changes have been made to the recruitment process to address the key risk areas that have been identified and the TasTAFE Vacancy Establishment Management Procedure has been updated. The recruitment process now has a quality control check included and the selection report template has been modified to address concerns on variations to salary levels. The intent is that a more detailed analysis of the recruitment and selection process will be undertaken in the second half of this year. Work is well underway on updating the Human Resource (HR) delegations, and when finalised, these will be communicated to all delegation holders so they are clear on the delegations attached to the position they occupy.

Substantial progress has been made in the management of credit cards with the credit card procedure updated to provide clarity for purchasing officers. This focus on credit cards has resulted in a reduction in credit card limits for some card holders as appropriate. The number of credit cards in use has also been reduced and this is expected to be subjected to further analysis when improvements are made in the procurement function. Financial delegations have been reviewed and updated to reflect operating requirements for purchasing officers. The updated credit card procedure has been communicated with all staff and an eLearning module on the use of credit cards has also been developed, which will be released in the second half of the year when the associated system requirements have been finalised. The billing arrangements for the use of personal mobile phones for work purposes have been reviewed and updated. New guidelines are now in place which eliminate the ability to have shared billing.

The management of entertainment expenditure has been a priority and this has resulted in the Entertainment Procedure being updated to make sure that it is compliant with State Service requirements. The new procedure has clearly identified the delegations that exist for the authorisation of entertainment expenses and also highlights that no entertainment expenses are to be paid for using a TasTAFE credit card. Enhancements to the travel framework have been made to improve the authorisation process for interstate and international travel. TasTAFE Executive have already begun

to lead by example with travel and entertainment expenditure significantly reducing over the past 12 months across the organisation.

The Gifts, Benefits and Hospitality Policy and Procedure has been reviewed and is nearing finalisation. At a minimum the updated framework will continue to be in accordance with the State Service policy. In addition to work on improving the process in this area, the Chief Executive Officer (CEO) has reminded all staff in her regular communications of the need to take appropriate action when an offer of a gift, benefit or hospitality is made. The centralised register for Gifts, Benefits and Hospitality is now being updated regularly on the TasTAFE Internet site. The matter of personal benefits has been highlighted with managers and action has been taken to address the risk areas identified. Work has commenced on developing the model to ensure that staff do not derive a personal benefit through the use of equipment, or receipt of goods or services.

A priority for the Executive has been improving the practices around the declaration and management of conflicts of interest. The CEO has highlighted both in person at employee forums throughout the state, and through her regular staff updates, the need for conflict of interest declarations to be made. The increased focus on this area has resulted in a substantial increase in the number of declarations being made by staff. The formal documentation of conflicts of interest is in the process of being updated. The requirement to declare Conflicts of Interest is also now a standing item on the Executive's meeting agenda.

Substantial work has been undertaken in the procurement area including updating the Procurement Policy and the development of a Procurement Guide. One of the significant changes that has been made in this area is the introduction of a new requirement to obtain three quotes for all purchases of \$10,000 to \$50,000. Work is being undertaken on identifying activities where whole-of-organisation procurement should be used and the adoption of a more centralised purchasing function. This will result in tenders being sought to formalise purchasing arrangements and maximise the efficient use of public funds.

Action has been taken in the remuneration area to clarify the information required to justify an employee's starting salary, where it is proposed that this would be different from the base salary. There is work to be undertaken on the salary progression process and this will be completed in the second half of this year.

The HR Policies and Procedures area has a range of processes where improvements are required. Work has commenced in some of these areas such as induction, public interest disclosure and resignation. There is a substantial level of work required to address the recommendations and this will need to happen in a structured manner to ensure that the development and implementation of new processes achieves the intended outcomes being sought.

The area of misconduct requires a review of existing processes to achieve the development of a framework that results in a coordinated approach to dealing with the various factors that can lead to misconduct. The work to date has focussed on the development and approval of the Public Interest Disclosure Procedure which has been based on the template provided by Ombudsman Tasmania. An important component of this process is to provide protection and clarity for those employees who wish to report issues of significance.

## ***Induction and Training***

- Induction
- Ethics training

The development of a contemporary and robust induction program for the Board, senior officers and new employees, is an integral component of building a culture of compliance. Work is well advanced in these three areas and it is intended that the employee induction framework will be implemented in the third quarter of this calendar year. For employees this will consist of attendance at a session led by the CEO, a checklist highlighting areas to be discussed and a suite of eLearning modules on a range of related topics. The induction for senior officers will be modelled on the guidelines provided by the State Service Management Office. Similarly the induction program for the Board is being aligned to existing models used by other statutory authorities or equivalents.

Training for employees is an important component of implementation and all managers have been required to participate in ethical decision making workshops which have been facilitated by the Integrity Commission. This will be complemented by all employees completing three Ethics and Integrity eLearning modules which will be released in the second half of the year. There is also a range of other targeted eLearning modules that employees will be required to undertake in areas such as the use of credit cards for purchasing and the requirements for the appropriate management of entertainment expenses.

Annual refresher training on the State Service Code of Conduct, Work Health and Safety, and workplace diversity is planned for production after the induction programs have been implemented.

## ***Staffing, Partnerships and Governance***

- Policy and procedure framework
- New Board members and Executive
- Communication

The audits indicated deficiencies in TasTAFE's structure in regards to HR policy management in particular, and more generally the overall management of policies and procedures. To address this a designated officer will now be responsible for managing the policy and procedure framework and an additional person has recently been appointed into the Employee Relations team.

It has been identified that the TasTAFE Policy and Procedure Framework needed to be reviewed and this work is currently underway. A robust policy and procedure framework is an important component of governance and the outcome from this will be increased clarity on the development, approval and implementation of new processes.

Another theme arising from the internal audit reports is that TasTAFE needed to have an increased focus on governance. There is a range of internal actions that are being taken to achieve this. For example, the new CEO has appointed a Chief Financial Officer (CFO), a Chief Client and Digital Officer, an Executive Director Business Growth and Major Projects and added in a new role for Managing Employee Relations as distinct from Industrial Relations. Along with these senior roles, all teaching Division Managers sit on the Executive. The executive has an established meeting schedule and minutes are recorded and published on the Staff Intranet.

A further example of good governance is the approach that is being taken to manage the implementation of the recommendations made in the audit reports. A project management approach has been adopted with oversight by a steering committee led by the new CEO, and includes the CFO

and an executive formerly employed by the Department of Treasury and Finance. In addition a project team has been created to scope and undertake the work required and a project manager assigned. Regular reporting is occurring to the Executive, the Board's Audit and Risk Management Committee and the TasTAFE Board itself.

The audits highlighted that cultural change is needed to strengthen compliance in TasTAFE. The TasTAFE Executive and Senior Leaders are committed to both improving processes and establishing behavioural expectations for employees. They understand the requirement to be active participants in this process and the importance of demonstrating through leading by example. Essential to driving this change is improved communication, and a new role of Engagement and Communication officer will be embedded into the People and Culture team to support the communication activity required to bring about the cultural change needed.

The Department of Education (DoE) provides TasTAFE with a range of corporate services through a Business Partnership Agreement (BPA). TasTAFE and DoE are working together to make adjustments to the partnership to ensure appropriate controls are in place to monitor compliance matters. A full review of the BPA is planned and will be led by the CFO and supported by the Chief Client and Digital Officer.

TasTAFE has available to it through the partnership with DoE access to appropriate technology for records management. Employee Relations staff are using the records management system and training is being rolled out for those who work in the Office of the CEO. The next priority area is to train contract management staff in the use of this system.

The internal audits have highlighted many areas for improvement, some of which can be undertaken quickly and others which require longer time frames. Throughout this work TasTAFE continues to focus on training outcomes for students to ensure that Tasmania has the skilled workforce it needs for the future.

Ref: TASTF10

7 May 2018

Ms Jenny Dodd  
Chief Executive Officer  
TasTAFE  
75 Campbell St  
HOBART TAS 7000

Dear Ms Dodd

### TasTAFE Internal Audit Report

Thank you for the opportunity to complete the Investigative Audits on behalf of TasTAFE.

Please find enclosed our final report in relation to the nine (9) investigative projects.

I confirm that we have been instructed not to proceed with the remaining three (3) projects, in relation to Delegation Systems, Policy & Procedure Framework and Employment Induction, based on the advice in our letter to you dated 16<sup>th</sup> March 2018 that each of these issues has been sufficiently addressed in the projects already completed.

Yours sincerely,



ALICIA LEIS  
Partner



TasTAFE  
Investigation Project 1 –  
Recruitment and  
Selection  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Limitation of Scope.....	5
5	Detailed Findings and Recommendations.....	6
5.1	Compliance Breaches and Best Practice Recruitment Processes .....	7
5.2	Governance and Policy.....	8
6	Appendices .....	13
6.1	Approach .....	14
6.2	Risk Rating Criteria.....	15

# 1 Executive Summary

## Our Focus

The scope of this project was to review the governance structure, processes, and internal control environment surrounding recruitment and selection within TasTAFE, and to assess the level of compliance with Employment Directions and HR policies relevant to recruitment and selection.

## Findings

**High** This investigative audit has noted a number of serious compliance exceptions within the sample selected in relation to compliance with the State Service Act and the Employment Directions. This audit has also noted a number of instances where best practice recruitment processes were not undertaken resulting in the principles of equity and fairness being undermined. The findings from the Integrity Commission are confirmed by this audit and therefore the findings of this report are rated 'high'. The issues identified to date are serious in nature and are not confined to any one recruitment process or segment of employees. We note that the findings of this audit do not reflect on the suitability of the candidates who have been appointed to roles, but rather the processes undertaken by managers responsible for recruitment in ensuring that the process was compliant with policy and all legal requirements.

## What is Working Well

We found the following elements are working well:

- There are a number of policy documents available to staff including relevant templates.
- From the interviews we conducted with hiring managers, we found a high degree of understanding of the required steps to achieve a compliant recruitment and selection process.
- Advice and support has become available to hiring managers through the increase in HR roles within TasTAFE.
- Hiring managers had noted the improvements made through having an internal HR support team for providing assistance with matters of compliance.

## Our Recommendations

We identified opportunities for improvement and have made the following recommendations:

- We recommend that TasTAFE, in consultation with the State Service Management Office, investigate the identified instances of non-compliance and ensure that these are resolved as a matter of priority.
- We recommend that TasTAFE implement immediately a quality assurance and compliance procedure whereby all recruitment processes moving forward are subject to quality assurance and compliance checks and sign-offs by a senior qualified HR practitioner on commencement of the recruitment activity, and prior to completion.
- We recommend that the policy framework is reviewed to encompass the observations within this report.
- We recommend that a strategic review be undertaken of the shared services arrangement and the corporate structure of TasTAFE to ensure clarity of roles between DoE and TasTAFE.
- We recommend that TasTAFE review the resourcing of the HR function within TasTAFE to confirm that the resources and roles are appropriate to provide adequate support to operational managers.
- A common records management system should be used with access restricted to those in HR.
- We recommend the creation of controls to ensure matters requiring follow up for compliance purposes are addressed.
- We recommend the documentation of internal TasTAFE delegations for HR related matters, including recruitment, in addition to the formal powers delegated by the Head of the State Service.

## 2 Context, Background and Scope

### Context and Background

Owned by the Tasmanian Government, TasTAFE operates under the auspices of its own legislative functions and powers, the *Training and Workforce Development Act 2013*, and is governed by an independent Statutory Board which reports to the Minister for Education and Training.

The employment policies provide for a range of activities to support State Service workforce management. Provision of advice on employment policies and practices to the Government and State Service Agencies references the following legislation:

- *State Service Act 2000*
- State Service Regulations 2011
- State Service Code of Conduct
- State Service Principles
- Employment Directions.

In addition:

- TasTAFE employees are employed under the *State Service Act 2000*.
- The Chief Executive Officer (CEO) has a dual responsibility to the Board and to responsibilities required by the *Training and Workforce Development Act 2013* and any other Act including the *State Service Act 2000*.
- TasTAFE is an Agency under the *State Service Act 2000*.
- The CEO is a Head of Agency under the *State Service Act 2000*.
- The CEO is accountable to the Board.

We note the Business Partnership Agreement with the Department of Education (DoE) which references key tasks and responsibilities between TasTAFE and DoE.

### Scope

The scope of this project was to review the governance structure, processes, and internal control environment surrounding recruitment and selection within TasTAFE, and to assess the level of compliance with Employment Directions and HR policies relevant to recruitment and selection.

Specifically, we assessed practices followed in the following areas:

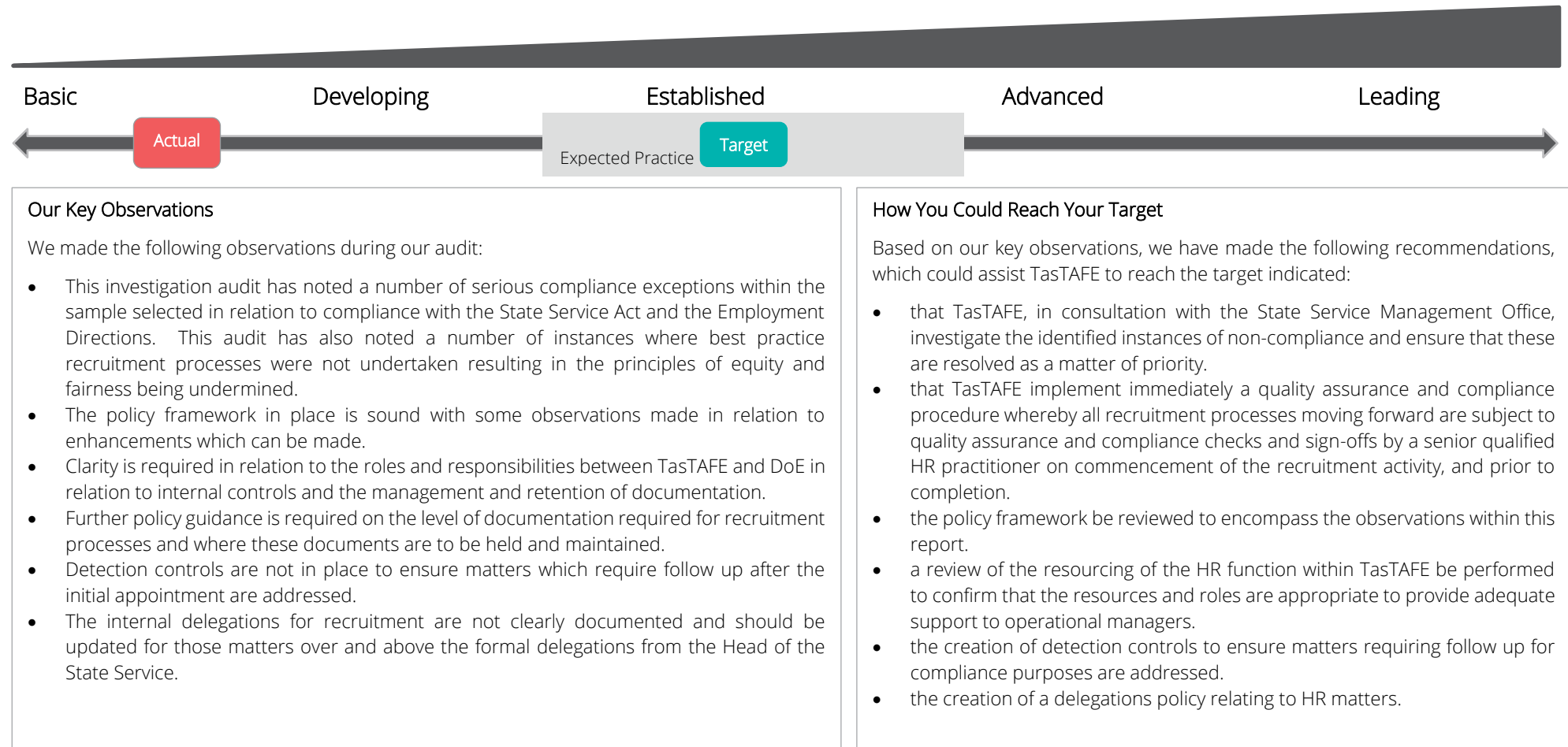
- The creation, determination and classification of offices and positions including:
  - Creation of new employment positions;
  - Classification of new positions is in accordance with the State Service Act and other relevant legislation and guidance (e.g. Employment Directions);
  - Validation and approval of position descriptions;
  - Confirmation of recruitment strategy and selection plan prior to commencement of recruitment process;
  - Process of handling any exemptions for any policies or Acts;
  - Review of recruitment policies and procedures against good practice.
- The selection process specifically covering:
  - Appointment of selection panel members;
  - Process for the declaration and management of any conflict of interests;
  - Documentation of selection panel decisions and outcomes;
  - Approval and delegation authorities;
  - Approvals for any change in original Position Description post the selection process;
  - Merit principle applied;
  - Review of selection panel policies and procedures against good practice; and
  - Consideration of referee guidance.

The scope of this project included a sample of appointments of made from 1 July 2015 to 31 May 2017. The sampling methodology included selections from all appointments made within the period, including sessional staff, with a targeted sample selected of executive appointments. The scope did include a review of the availability, currency and adequacy of the policy framework however did not include acting roles or higher duty allowances.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the recruitment and selection processes within TasTAFE, we have assessed the maturity of the internal control and governance framework as follows:



## 4 Limitation of Scope

We requested from the Department of Education a listing of appointments made from 1 July 2015 to 31 May 2017. The data received was insufficient to identify the total population of recruitments for the period. This was further complicated by the restructure of TasTAFE which occurred through the period which meant there were a large number of staff transferred into new positions which did not require formal recruitment processes. We worked with TasTAFE to filter the data received. Due to the weaknesses identified in the data source we cannot be assured that we have identified all appointments relevant to the period of 1 July 2015 to 31 May 2017. Our report should therefore be read with this limitation of scope in mind.

## 5 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided our findings in two (2) sections:

- Compliance breaches and best practice recruitment processes
- Governance and policy

Overall, the findings of this report highlight significant opportunities to enhance the control and governance framework surrounding recruitment and selection at TasTAFE. The issues highlighted by the Integrity Commission findings have been confirmed by this audit.

The interviews conducted with hiring managers/selection panel convenors demonstrated an understanding of the policy framework. Our findings also confirm the policy framework in its current form is a sound basis for ensuring compliance with relevant legislation and the Employment Directions. Our audit however confirms that despite an adequate policy framework there were instances of non-compliance within our sample selected. It is imperative TasTAFE further investigates the non-compliance matters noted and implements recommendations within this report to reinforce the internal control environment.

## 5.1 Compliance Breaches and Best Practice Recruitment Processes

Major Findings – Compliance Breaches and Best Practice Recruitment Processes		
<p><b>Description of Issue:</b> This investigation audit has noted a number of compliance exceptions within the sample selected in relation to compliance with the State Service Act and the Employment Directions. This audit has also noted a number of instances where best practice recruitment processes were not undertaken resulting in the principles of equity and fairness being undermined. The findings from the Integrity Commission are confirmed by this audit and therefore the findings of this report are rated 'high'.</p> <p><b>Discussion:</b> The compliance exceptions and poor processes identified by this review will not be provided in detail in this report to ensure confidentiality and procedural fairness. The issues however are serious in nature and are not confined to any one recruitment process or segment of employees. There are systemic issues in relation to recruitment practices within TasTAFE which have resulted in issues of non-compliance with the Employment Directions and processes whereby the principles of equity, fairness, merit and transparency have not been applied. The issues identified include;</p> <ul style="list-style-type: none"> <li>the creation and approval of positions,</li> <li>advertising processes,</li> <li>the creation of the selection panels,</li> <li>the processes associated with the short-listing of candidates,</li> <li>documentation and transparency of decisions made,</li> <li>the application of salary bands, and</li> <li>the use of delegations and the resolution of temporary arrangements.</li> </ul> <p>We note that the findings of this audit do not reflect on the suitability of the candidates who have been appointed to roles, but rather the processes undertaken by managers responsible for recruitment in ensuring that the process was compliant with policy and all legal requirements.</p>	<b>Risk Rating:</b>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<b>Risk Type:</b>	<p>Compliance</p> <p>Internal control</p> <p>Governance</p>
	<p><b>Recommendation:</b> We recommend that TasTAFE, in consultation with the State Service Management Office, investigate the identified instances of non-compliance and ensure that these are resolved as a matter of priority. The issues identified require legal opinion on the impacts of the findings, which we are not qualified to form an opinion on. We also recommend that TasTAFE implement immediately a quality assurance and compliance procedure whereby all recruitment processes moving forward are subject to quality assurance and compliance checks and sign-offs by a senior qualified HR practitioner on commencement of the recruitment activity, and prior to completion. This sign-off should be separate and in addition to the delegated authorisation of the final appointment decision. We also recommend that operational managers responsible for recruitment processes be trained in the new policy and procedure.</p>	
		<p><b>Management Comment:</b></p> <p>Management agrees with this recommendation.</p>

## 5.2 Governance and Policy

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.2.1	Business Partnership Agreement with DoE – clarity of roles and responsibilities	<p>TasTAFE have a Business Partnership Agreement with DoE to purchase corporate services, which includes some human resource functions. In relation to recruitment, under the Business Partnership Agreement, TasTAFE retains the responsibility for recruitment compliance.</p> <p>This audit has noted a number of issues which require clarity between TasTAFE and DoE in relation to HR matters. These include:</p> <ul style="list-style-type: none"> <li>– Documentation. Throughout the audit we noted issues with the retention and location of documentation relating to recruitment processes. The Business Partnership agreement currently specifies that DoE will 'For as long as TasTAFE is not managing HR records, retain relevant records of recruitment'. This paragraph is insufficiently clear however it appears to imply that DoE are responsible for the maintenance of recruitment records.</li> <li>– The Business Partnership agreement is silent on internal controls relating to recruitment and what roles, if any, DoE should undertake in relation to recruitment internal controls. In our view, this was inconsistent with the level of HR resources TasTAFE had internally in the first years of TasTAFE.</li> </ul>	We recommend that a strategic review be undertaken of the business partnership arrangement and the corporate structure of TasTAFE to ensure clarity of roles between DoE and TasTAFE.	Management agrees with recommendation and will work with DoE on role clarity.

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.2.2	Policy Framework	<p>TasTAFE is required to comply with the Tasmanian State Service Act 2000 (the Act) and Employment Directives (EDs) applicable to recruitment and selection. There are specific recruitment requirements for senior executive officers, band 9 and 10 and general stream professional bands, and banded employees. Sessional staff and teaching staff positions have additional processes which apply.</p> <p>TasTAFE also has its own policies and procedures in relation to vacancies, recruitment and selection processes. There are a number of templates and procedures to guide hiring managers and to ensure compliance with the overall policy framework.</p> <p>From our interviews with a sample of hiring managers, all the managers placed reliance on the policy framework to ensure the requirements of the Act and the EDs were met.</p> <p>From our review, the policy framework is generally sound and comprehensive and provides a basis for compliance. We did note the following observations in relation to the policy framework:</p> <ul style="list-style-type: none"> <li>Conflicts of interest can occur at all stages of the recruitment process from the creation of the role to the appointment. The current policy framework (updated September 2016) discusses conflicts of interest in detail however we note the current templates only require sign-off of any conflicts of interest at the selection stage.</li> <li>There are opportunities to enhance the policy framework to ensure the widest pool of applicants is attracted. We noted a number of posts had a small number of applicants and would therefore suggest that the policy provides for additional advertising options to attract candidates.</li> <li>All hiring managers we interviewed had developed their own matrices to complete the shortlisting process to ensure that they could demonstrate consideration of suitability. There were limited templates available for the shortlisting process.</li> <li>A number of hiring managers we interviewed noted that there was little guidance or availability of suitable questions for an interview. They also noted the preferred method for roles was an interview and there was very little use of other techniques to test the suitability of candidates.</li> <li>The policy framework did not detail the requirements for late applicants.</li> </ul>	We recommend that the policy framework is reviewed to encompass the observations within this report.	Management agrees with this recommendation.

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.2.3	Resourcing of HR support functions	<p>Historically, TasTAFE have had extremely limited HR resources to support operational managers in their recruitment activities. In recent times, these resources have been increased.</p> <p>It is the responsibility of the hiring manager to seek the support and guidance of the HR functions at each stage of the recruitment and selection process. Given the complexity of recruitment requirements, in our view it is imperative that HR support is available to assist and also provide a quality assurance role during any recruitment activity. Our interviews with hiring managers suggested that the ability to navigate through the recruitment and selection processes depended on the level of repeated experience with the process.</p> <p>We note that the compliance issues raised within this audit highlight instances where the policies and procedures have not been complied with and quality assurance processes within the HR function has not identified these issues. We note that in recent months, with the increase in HR resources within TasTAFE, that a number of recruitment related issues have been identified at an early stage and addressed. This demonstrates the need for TasTAFE to have adequate HR support resources to assist operational managers in their recruitment activities and to provide critical quality assurance and compliance roles.</p>	We recommend that TasTAFE review the resourcing of the HR function within TasTAFE to confirm that the resources and roles are appropriate to provide adequate support to operational managers.	Management agrees with the recommendations.

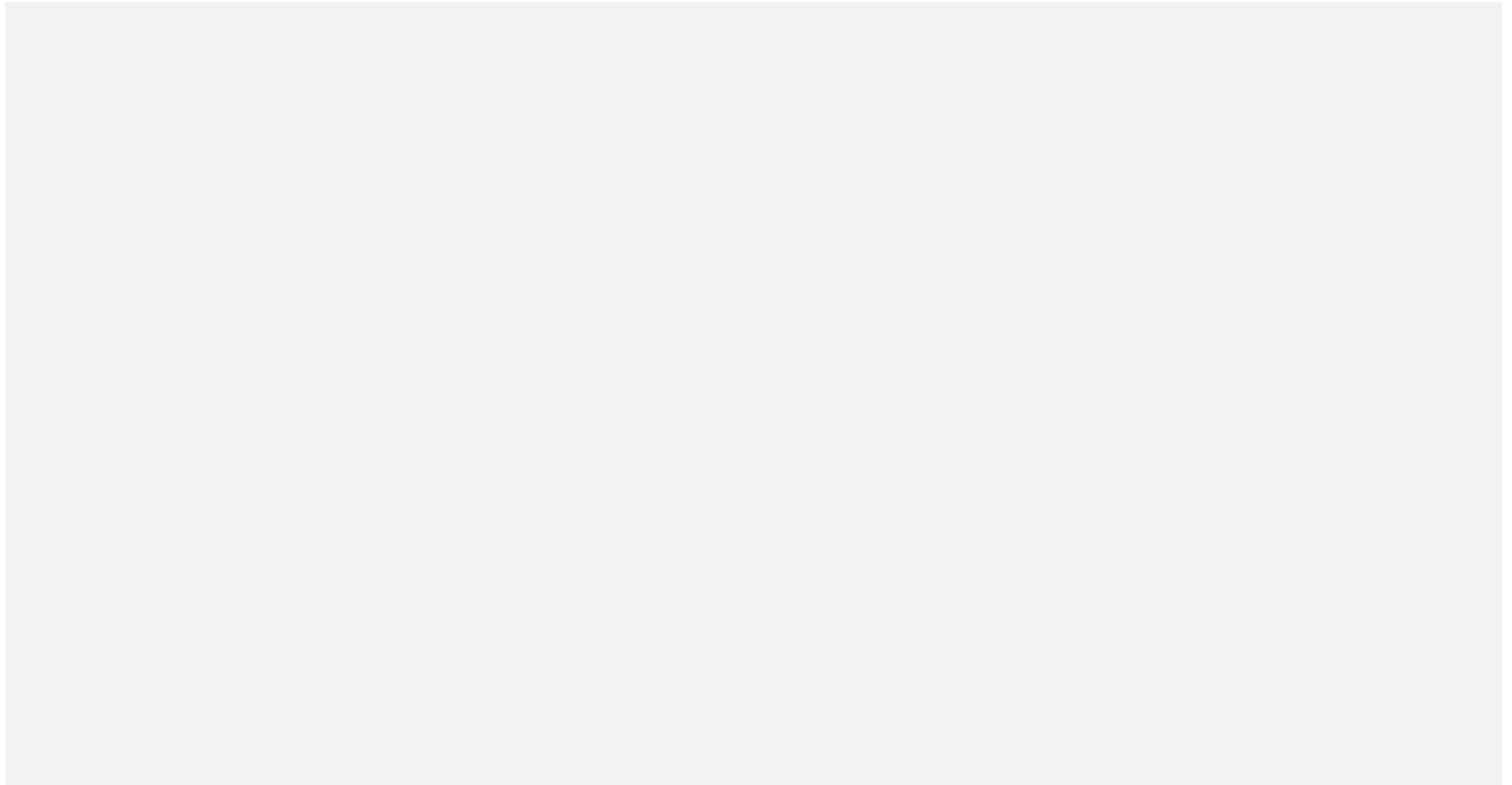
## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.2.4	Record keeping	<p>The policy framework of TasTAFE is not clear on the responsibilities for record keeping through-out the recruitment and selection process between the regional operational managers performing the recruitment, TasTAFE HR, and DoE HR. It does not dictate where the documentation is to be held and how privacy and confidentiality is to be observed.</p> <p>The revised policies and procedures discuss the importance of recording the information by the selection panel. The policy framework however does not stipulate the level of documentation required through-out the recruitment process. For example, we note the following gaps:</p> <ul style="list-style-type: none"> <li>• The approach taken towards the recruitment exercise in terms of advertising strategy, method of interview, or selection of the recruitment panel is not required to be documented.</li> <li>• Whilst the policy states that notes taken by the selection panel are to be retained until the applicant starts in the role, the policy does not further determine the length of time the hiring manager must retain all documentation relevant to a recruitment exercise.</li> </ul> <p>Through our discussions with a sample of hiring managers we noted there was an assumption that it was the responsibility of HR to retain all documentation relevant to an employees' appointment. However, the majority of hiring managers interviewed maintained their own records.</p> <p>Through-out our compliance review we noted a lack of documentation relating to all types of positions being recruited to.</p>	<p>We recommend the policy determines the minimum documentation requirements for each recruitment process. These documents should be retained in a common records management system. Access to this system should be restricted to HR only.</p>	<p>Management agrees with the recommendations.</p>

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.2.5	Detection controls and quality assurance	We noted through-out our compliance review the lack of detection controls and quality assurance processes being undertaken to ensure that issues of non-compliance are detected for matters which require follow-up after the initial appointment within the legal or policy timeframes imposed. There are a number of instances where an appointment may be temporary or where conditions to the appointment must be met within timeframes. It is imperative that TasTAFE have processes in place which identify these requirements and ensure they are met.	<p>We recommend the creation of detection controls to ensure matters requiring follow up for compliance purposes are addressed. This may include:</p> <ul style="list-style-type: none"> <li>• Review of establishment on a regular basis; and</li> <li>• Review of any staff appointments which require follow up for compliance within statutory timeframes.</li> </ul>	Management agrees with the recommendations.
5.2.6	Delegations	We note that there are documented delegations in place in relation to appointments for TasTAFE from the Head of the State Service. There are however a number of policy matters relating to recruitment which specify internal limits within TasTAFE for specific decisions. These internal TasTAFE delegations have not been formally documented and assigned, nor is there policy guidance on whether these powers can be further delegated. The delegation authority should specify the powers of a role under the policy, and how managers should evidence the use of those powers.	We recommend the documentation of internal TasTAFE delegations for HR related matters, including recruitment, in addition to the formal powers delegated by the Head of the State Service.	Management agrees with the recommendations.

## 6 Appendices






## 6.1 Approach

Our approach to fulfilling the scope of the investigative project included:

- TasTAFE/DoE providing information with regards to all staff appointments in the period 1 July 2015 to 31 May 2017.
- We analysed the data provided to gain an understanding of the positions being appointed, particularly:
  - Information pertaining to those acting into roles during the appointment process; and
  - If any positions had been newly created.
- From the data provided we selected a sample of appointments for detailed compliance testing based on a material coverage of appointments made during the selected period. We utilised the State Service Employment Directions (EDs), State Service Act and previous Tasmanian Audit Office and Integrity Commission recruitment report recommendations as the basis for our testing.
- Interviews with key staff responsible for the recruitment and selection of a sample of appointed employee/officer and discussions of the recruitment practices adopted.
- Consideration of the adequacy and appropriateness of the policies and procedures relevant to the scope of the audit.
- Interactions with the State Service Management Office as a technical reference point for the compliance observations.

## 6.2 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit. These are opportunities for improvement.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigation Project 2 –  
Use of Tasmanian  
Government Credit  
Cards  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Data Analysis .....	5
5	Detailed Findings and Recommendations.....	6
5.1	Governance and Policy.....	7
5.2	Breach of Treasurer's Instructions .....	13
5.3	Other Credit Card Controls .....	15
5.4	GST errors .....	17
6	Appendices .....	18
6.1	Approach .....	19
6.1.1	Data Analytics .....	19
6.1.2	Compliance .....	19
6.2	Risk Rating Criteria.....	21

# 1 Executive Summary

## Our Focus

The scope of this project was to review the governance structure, processes, and internal control environment surrounding the use of credit cards within TasTAFE, and to assess the level of compliance with TI (Treasurer's Instruction) 705 and the policy framework.

## What is Working Well

We found the following elements are working well:

- The current purchasing policies of TasTAFE are consistent with whole-of-government policies. Tasmanian Government Cards (TGC's) are an appropriate and efficient purchasing method for low value transactions. TasTAFE is a large organisation with significant purchasing requirements including a high volume of low dollar value transactions.
- The previous and current policy documents are consistent with the requirements of the TI and are sufficiently detailed to communicate responsibilities and requirements effectively.
- There has been a focus by executive management to reinforce the credit card policy and compliance across TasTAFE in recent months.

## Findings

- High** 3 high risk findings:
- Breaches of the Treasurer's Instruction (TI)
  - Credit card controls
  - GST errors

We also made 7 observations and recommendations in relation to governance and policy matters related to the use of credit cards.

## Our Recommendations

We identified opportunities for improvement and have made the following recommendations:

- The Head of Agency must ensure the TI requirements are embedded within the governance and compliance framework of TasTAFE and these requirements are communicated formally throughout the organisation.
- Whole-of-organisation purchasing strategies should be developed.
- A strategic review be undertaken of the Business Partnership Agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation. The documentation and transaction processing issues be resolved with DoE to ensure clarity in relation to roles and responsibilities.
- TasTAFE form a view on how the TI compliance exceptions will be dealt with.
- A full review of the internal control environment surrounding credit cards within TasTAFE be performed specifically including clarity surrounding the monitoring and oversight of credit card controls such as breaches in limits, timeliness of reconciliations and approval processes.
- The travel policy to provide guidance and limits on the level of expenditure that executives can incur for food and accommodation when travelling for work-related purposes.
- TasTAFE review the policy in relation to the payment of personal mobile phone bills.
- Every 3 years or on replacement of a TGC, the card acknowledgement is renewed by the card holder. We note other agencies are requiring this every 12 months as part of a broader compliance approach.
- The timely investigation and correction of the GST issues noted.

## 2 Context, Background and Scope

### Context and Background

The recent Integrity Commission report 'An investigation into a complaint of an alleged conflict of interest against senior executive officers of TasTAFE', investigated a number of allegations, of which credit cards usage was a part. This project has been identified for internal audit attention to investigate historic credit card practices and transactions, and ensure that the internal control and governance framework surrounding credit cards is strong.

Tasmanian Government Credit Cards within TasTAFE are managed under Treasurer's Instruction 705 Tasmanian Government Card (TI 705) and internal TasTAFE policies.

The data provided by TasTAFE for all credit card transactions made between July 2015 to July 2017 indicates a total spend of just over \$4m. During that period, there were 210 cardholders; 7 executives and 203 non-executives. Our analysis indicates that credit cards are a significant payment method for TasTAFE reflective of the organisation's high-volume, low-value purchasing requirements. Non-executive staff members are responsible under the decentralised model to perform purchasing roles for the business units and regions with the data indicating a significant amount spent on credit cards is incurred by non-executive staff members. Credit cards are an appropriate and effective purchasing tool for low-value transactions and therefore their use as a purchasing method is supported.

The scope of this investigation has been developed with this background in mind.

### Scope

The scope of this project was to review the governance structure, processes, and internal control environment surrounding the use of credit cards within TasTAFE, and to assess the level of compliance with TI 705 and the policy framework. This was performed to ensure that the key operational risks associated with the use of credit cards are addressed, including:

- Inefficient purchasing methods used, particularly for low-value items;
- Inappropriate purchases are made;
- Purchases are made outside delegation limits; and
- Purchases are not approved prior to payment.

We benchmarked TasTAFE's processes surrounding the use of credit cards against best practice controls. This included controls such as:

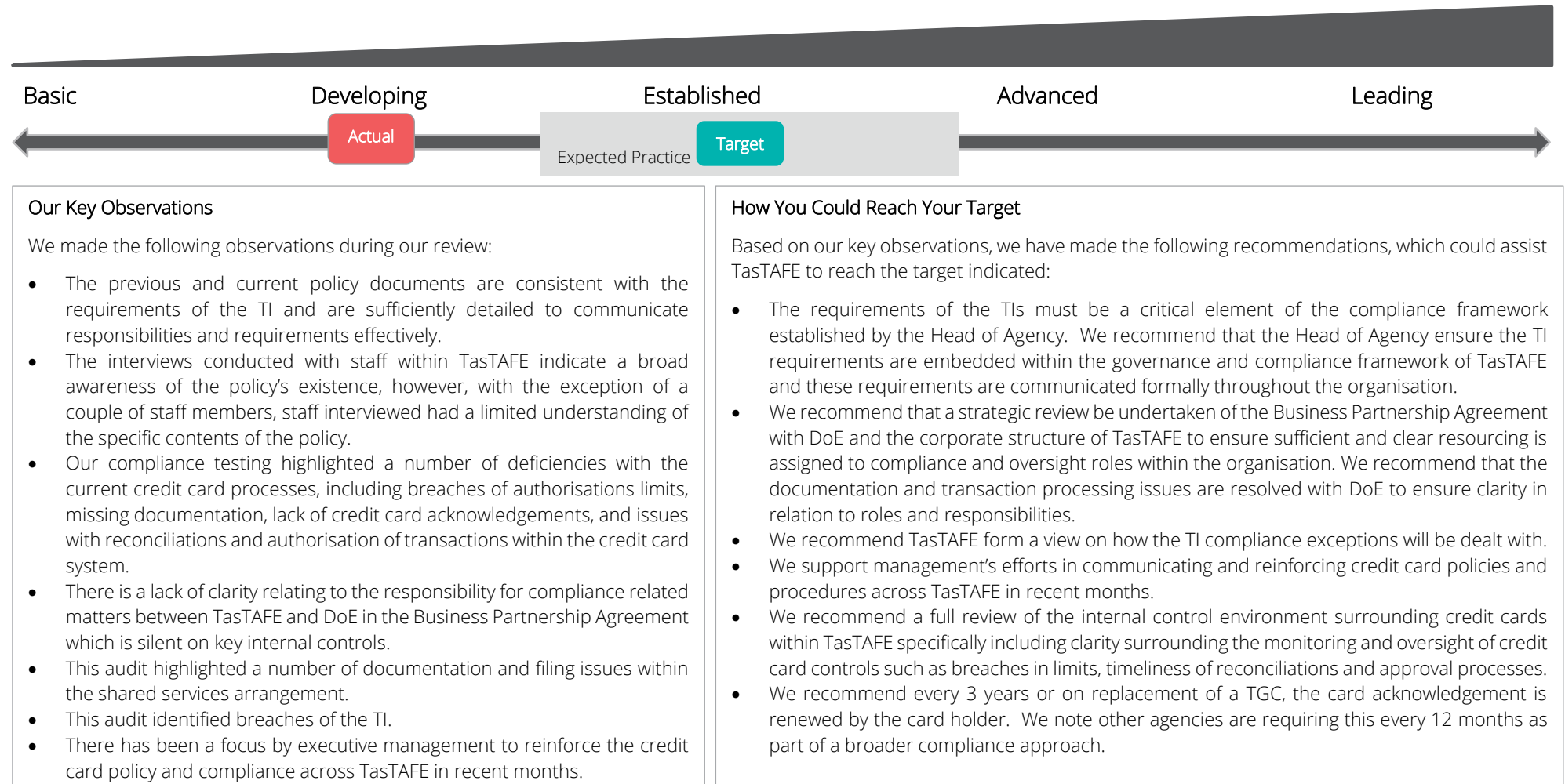
- Allocation of credit cards according to delegation limits;
- Authorisation of credit card purchases prior to payment; and
- Correct allocation of credit card purchases to the general ledger.

The scope also included a review of the availability, currency and adequacy of the policy framework.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the use of credit cards within TasTAFE, we have assessed the maturity of the internal control and governance framework as follows:



## 4 Data Analysis

The data provided by TasTAFE for all credit card transactions made between July 2015 to July 2017 indicates a total spend of just over \$4m. During that period, there were 210 cardholders; 7 executives and 203 non-executives. The current purchasing policies of TasTAFE include the use of TGCs for purchases under \$2,000 and are mandatory for purchases under \$1,000 consistent with whole-of-government policies. TGCs are an appropriate and efficient purchasing method for low value transactions.

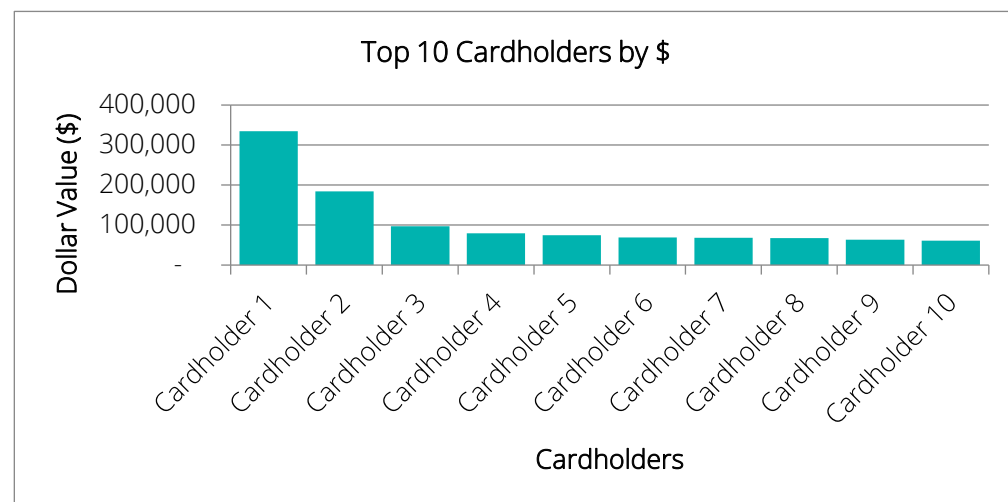
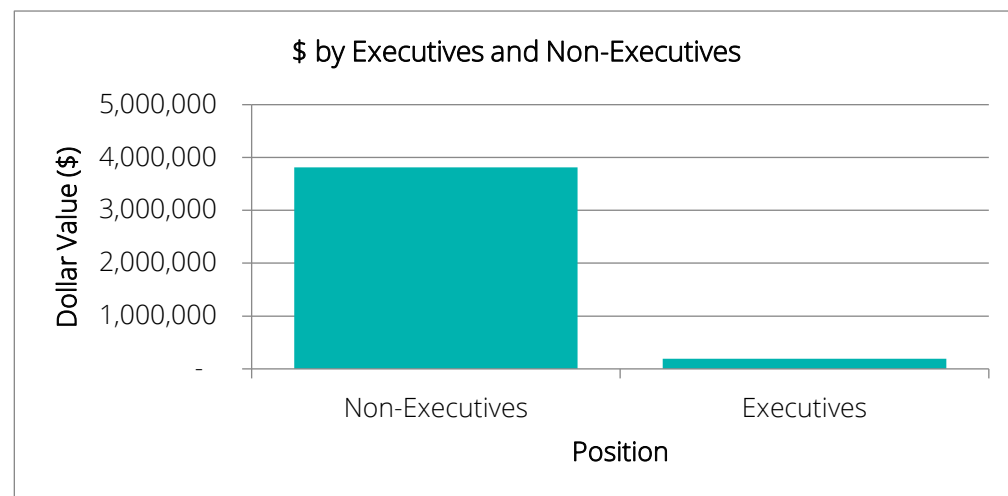
TasTAFE is a large organisation with significant purchasing requirements including a high volume of low dollar value transactions. TasTAFE also operate a decentralised structure with business units being responsible for purchasing strategies and budget management.

Our analysis indicates that credit cards are a significant payment method for TasTAFE reflective of the organisation's high-volume, low-value purchasing requirements. Non-executive staff members are responsible under the decentralised model to perform purchasing roles for the business units and regions with the data indicating a significant amount spent on credit cards is incurred by non-executive staff members. The average per cardholder expenditure for the executives over the period of this review was \$28k and for non-executives was \$19k. This indicates then that per cardholder executives on average are spending more on their credit cards then non-executives.

Of the top 10 cardholders, 9 are non-executive staff members with significant purchasing roles. The other card holder was an executive member. The top cardholder is a purchasing officer responsible for the majority of purchasing for one business unit.

TasTAFE have utilised over 3,000 different suppliers over the period from July 2015 to July 2017.

We have utilised data analytics tools to interrogate 100% of the population of transactions for the period 1 July 2015 to 31 July 2017 to identify any transactions that may have breached the TI or policy. The results of our testing are outlined in section 5 below.



## 5 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided our findings in four (4) sections:

- Governance and policy
- Breaches of the Treasurer's Instructions (TIs)
- Other credit card controls
- GST errors

Overall, the findings of this report highlight significant opportunities to enhance the control and governance framework surrounding the use of credit cards within TasTAFE. The issues highlighted by the Integrity Commission report's findings have been confirmed by this audit, particularly in relation to the previous use of credit cards by senior executive personnel. The interviews conducted with non-executive card holders indicated a genuine intention to comply with credit card policies. There has been a focus by executive management to reinforce the credit card policy and compliance across TasTAFE in recent months. Further work is required to enhance the internal control and governance structure surrounding credit cards as outlined below.

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.1	Responsibilities of the Head of Agency	<p>TI 705 specifies the responsibilities of the Head of Agency in relation to Tasmanian Government Cards (TGC). These responsibilities include:</p> <ul style="list-style-type: none"> <li>• Writing to the Secretary of the Department of Treasury and Finance and formally request approval for a cardholder to use a card for entertainment purposes.</li> <li>• The Head of Agency should ensure that each officer authorised to use a TGC for entertainment understands what constitutes entertainment.</li> <li>• The Head of Agency must ensure the effective, efficient and appropriate use of the card facility within an agency.</li> <li>• The Head of Agency shall ensure that effective internal controls are maintained over the use of the TGC and shall issue instructions covering specific Agency policies and procedures that apply to the TGC. Unauthorised use of the TGC represents an unauthorised use of public monies.</li> <li>• The Head of Agency should nominate an administering or controlling officer for the TGC who is responsible for ongoing education and training of cardholders, and reviewing the operation of the card facility within the agency, including reporting on its activities and ensuring that the TGC is cost effective.</li> </ul> <p>While the policy for credit cards was in place, there was little or no evidence of the Head of Agency during the period of the audit driving any analysis of credit card use within TasTAFE nor providing emphasis to areas of compliance through management meetings or training. We note that staff were however aware of the policy for credit cards and that the Integrity Commission had performed education sessions with TasTAFE which included reference to compliance requirements.</p>	<p>The requirements of the TIs must be a critical element of the compliance framework established by the Head of Agency. We recommend that the Head of Agency ensure the TI requirements are embedded within the governance and compliance framework of TasTAFE and these requirements are communicated formally throughout the organisation.</p>	<p>Management accepts this recommendation.</p> <p>The essential requirement that the Head of Agency enforces the requirements of the Treasurer's Instructions across all areas is acknowledged. TI requirements will be reviewed and included in any TasTAFE policy or procedure where they are relevant to that particular document.</p> <p>The member of the Executive responsible for a particular new or revised Policy or Procedure submitted to the full Executive for approval will have to provide an assurance that any relevant TI requirements have been included and referenced in that policy or procedure.</p> <p>With regard to this particular audit, the Credit Card Procedure and the Entertainment Expense Procedure will be reviewed and updated.</p> <p>Both Procedures will be submitted to the Head of the Department of Treasury and Finance for review and approval.</p> <p>They will subsequently be distributed to all staff.</p> <p>A training program for all existing and new TasTAFE corporate credit card holders will be developed and implemented.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.2	Purchasing strategy	<p>The current purchasing policies of TasTAFE include the use of TGCs for purchases under \$2,000 and are mandatory for purchases under \$1,000 consistent with whole-of-government policies. TGC's are an appropriate and efficient purchasing method for low value transactions. TasTAFE is a large organisation with significant purchasing requirements including a high volume of low dollar value transactions. TasTAFE also operate a decentralised structure with business units being responsible for purchasing strategies and budget management. During our review, we noted a lack of clarity in relation to the purchasing strategy adopted across the organisation. This includes a lack of clarity surrounding purchasing decisions, cost-effectiveness, forward planning for purchasing, approved suppliers and whether credit cards are an effective and efficient payment method for certain areas within the business.</p> <p>Specifically, we would recommend a review be performed within Drysdale and for the building and construction industry stream in relation to purchasing strategy and stock control. Both of these groups have central purchasing officers and a large amount of purchasing. It is important within these groups that strong internal control structures are in place to ensure efficient and cost-effective purchasing, and also to protect and support purchasing officers in their role.</p>	<p>We would suggest that significant cost management outcomes could be achieved through the implementation of strong purchasing strategies across the organisation. In our view, whole-of-organisation purchasing strategies should be developed.</p>	<p>Governance of procurement for TasTAFE will form part of a brief to be delivered from the Interim CEO to the new TasTAFE CEO when appointed. This advice will include structural recommendations that will be aimed at positively addressing this recommendation. Management accepts the recommendations regarding stock control for Drysdale and the construction teams and TasTAFE will work towards implementing systems to address the matters raised.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.3	Policy	<p>TasTAFE have a credit card policy titled 'Corporate Credit Card Procedure 1 June 2017'. We have also reviewed the policy that was in place during the period of our audit titled 'Coding and Approval of TasTAFE Corporate Credit Card Transactions'. The previous and current policy documents are consistent with the requirements of the TI and are sufficiently detailed to communicate responsibilities and requirements effectively.</p> <p>We note that the previous policy did not specifically address entertainment. This has been updated in the most recent policy.</p> <p>The interviews conducted with staff within TasTAFE indicate a broad awareness of the policy's existence, however, with the exception of a couple of staff members, staff interviewed had a limited understanding of the specific contents of the policy. Staff indicated they had limited exposure to the policy, had not received any specific training on the policy, and had not been contacted by any corporate services staff within TasTAFE or DoE to discuss the use of their card or any specific transactions.</p>	<p>We support the most recent credit card policy. We recommend that all card holders within TasTAFE undergo regular training and reinforcement of their responsibilities under the policy.</p>	<p>Management accepts this recommendation. TasTAFE acknowledges the importance of all credit card users and credit card authorisers being aware of the requirements around corporate credit card use.</p> <p>The Credit Card Procedure will be reviewed and updated.</p> <p>It will then be submitted to the Secretary of the Department of Treasury and Finance for review and approval, and subsequently distributed to all staff. TasTAFE will develop a training program for all existing and new corporate credit card holders to reinforce responsibilities of the holding and use of corporate credit cards.</p>
5.1.4	Paying for transactions for other individuals on their credit card	<p>During the interviews and our review of the processes surrounding the utilisation of credit cards, staff indicated that they had been asked to use their credit card to pay for transactions on behalf of other senior staff members. We did not find any documented evidence to support these assertions however the credit card reconciliation for those months was approved by the identified requesting staff member, effectively implementing a circular approval process.</p>	<p>We recommend that card holders are reminded not to use their TGC to pay for transactions relating to other staff members.</p>	<p>Management accepts this recommendation.</p> <p>The Credit Card Procedure addresses this issue (will be continued in the reviewed and updated Procedure) and provides a clear process to deal with transactions where the authorising officer is a party to that transaction. This will be brought to the attention of all Executive members. Staff will also be reminded of their responsibilities associated with the use of their corporate credit card, including the importance of staff members using their own corporate cards for their transactions in order to increase transparency, and to avoid the situation of circular approvals wherever possible.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.5	Business Partnership Agreement with DoE	<p>Our audit identified a number of issues which reflect on the current Business Partnership Agreement with DoE. These include:</p> <ul style="list-style-type: none"> <li>• Lack of administrator access to the credit card software significantly impairing the ability of senior managers to review credit card transactions across the organisation.</li> <li>• There was a significant amount of missing paperwork which could not be located.</li> <li>• The breaches and internal control break downs noted in this report were not detected by TasTAFE or DoE.</li> </ul> <p>There must be clarity between TasTAFE and DoE in relation to key roles and accountabilities as well as process to ensure the level of service and priority is maintained for TasTAFE. In our view, the current decentralised structure of TasTAFE with a limited corporate services function, and the business partnership agreement with DoE is resulting in a lack of clarity and/or resourcing assigned to critical compliance and oversight roles within the organisation. The current Business Partnership agreement is silent on the responsibility for critical internal controls which must be performed within the corporate services function.</p>	<p>We recommend that a strategic review be undertaken of the Business Partnership Agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.</p>	<p>Management accepts this recommendation and will work with the Department of Education to address it as recommended.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.6	Personal phones	During the audit, we noted one business group that paid for personal staff phone bills as a method of reimbursing staff for work-related phone costs. We were supplied with a TasTAFE 'Mobile Phone Procedure' which allows for staff to utilise their personal mobile phone for work purposes and have a shared billing arrangement. For the transactions identified, the managers and staff were unable to provide any documentary evidence to support the arrangements including the specified requirements under the procedure.	We recommend that TasTAFE review the policy in relation to the payment of personal mobile phone bills. If the policy is deemed a cost-effective and appropriate approach for TasTAFE, we recommend that all such arrangements are documented, approved and signed in accordance with the policy.	Management accepts this recommendation. The Mobile Phone Procedure will be reviewed and consideration given to the appropriateness of this kind of shared billing. Where such arrangements have existed, and it is considered more appropriate to carry out TasTAFE duties, staff will be provided with a TasTAFE funded telephone.

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.7	Executive travel policy limits	<p>Our audit testing identified a significant number of transactions relating to food and accommodation expenses for executive staff members. While these expenses are valid for work-related travel purposes, the current travel policy does not specify any limits or provide any guidance for executives on what is 'reasonable'. Non-executive staff members are provided an allowance to cover food and accommodation when travelling which restricts the costs incurred by TasTAFE. This is not the case for executive staff members who are able to put travel expenditure on their credit card.</p> <p>The data analytics and detailed testing highlighted 29 transactions where meals were purchased at well-regarded restaurants or where accommodation was booked at hotels where the cost per night well exceeded the accommodation allowance for staff.</p>	We recommend that the travel policy provide guidance and limits on the level of expenditure that executives can incur for food and accommodation when travelling for work-related purposes.	<p>Management accepts this recommendation. Further analysis of the 29 transactions identified will be undertaken to assess whether TI705 has been breached. Subsequently further management action will be determined.</p> <p>Reasonableness criteria as recommended will be introduced for executive travel spending.</p>

## Major Findings

### 5.2 Breach of Treasurer's Instructions

<p><b>Description of Issue:</b> Treasurer's Instruction (TI) 705, outlines the circumstances where a TGC shall not be used. We analysed the credit card data for TasTAFE from 1 July 2015 to 31 July 2017 and performed sample testing to source documentation and noted breaches of the TI relating to the following:</p> <ul style="list-style-type: none"> <li>Fuel purchases;</li> <li>Entertainment transactions;</li> <li>Gift vouchers;</li> <li>Payment of fines; and</li> <li>Possible personal transactions.</li> </ul> <p><b>Discussion:</b> The compliance exceptions noted included:</p> <ul style="list-style-type: none"> <li>43 fuel purchases. We note that 23 of these transactions were in relation to the cardholders undertaking duties in remote areas where the contracted supplier didn't have an outlet within a reasonable distance. The TI indicates, in this circumstance, a fuel card from an alternative supplier may be requested from the Government fleet manager.</li> <li>We noted both Executives and non-Executives have used their TGC cards for entertainment purposes. Our testing noted a significant number of transactions where meals and coffees were purchased which did not relate to approved travel. Of these transactions, the non-executive staff transactions were narrated as business meetings or travel expenses. Under the travel policy, expenses for non-executive staff members should be paid for under an allowance system. The executive staff member transactions indicated a common practice of purchasing meals and coffees for meetings and in some cases entertaining industry representatives, many of which were incurred at well regarded restaurants and eateries. Of significance, we noted 1 transaction at a high-end restaurant where the bill was over 40% alcohol, and 2 transactions for large dinners at well regarded restaurants. We also note that there are transactions noted for 'meetings' where the food bill at an external eating place has been paid for on the TCG.</li> <li>We note that there is no specific policy guidance in relation to Board expenses outside of reimbursements.</li> <li>9 transactions where cardholders used their TGC to purchase gift vouchers. Gift vouchers are essentially cash, which is prohibited under TI. Staff have indicated a practice of purchasing gift cards as rewards for staff or students.</li> <li>1 flight purchased which was not related to approved travel.</li> </ul> <p>Our data analytics procedures have identified an overall reduction in the number and cost of meal purchases in recent months across the organisation since the policy relating to entertainment was reinforced. The interview processes undertaken highlighted anecdotally a culture whereby purchasing coffees and having business meetings off-site at restaurants and eateries was considered appropriate. All cardholders interviewed now indicate a strong understanding of the entertainment restrictions on TGCs.</p>	<table> <tr> <td data-bbox="1563 274 1736 638"> <b>Risk Rating:</b> </td><td data-bbox="1736 274 2083 638"> <b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.         </td></tr> <tr> <td data-bbox="1563 638 1736 1340"> <b>Risk Type:</b> </td><td data-bbox="1736 638 2083 1340">           Compliance  Internal control  Governance         </td></tr> </table>	<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.	<b>Risk Type:</b>	Compliance  Internal control  Governance
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<b>Risk Type:</b>	Compliance  Internal control  Governance				

<p>We emphasise that these breaches have occurred through failures of the approval processes at multiple levels. Credit card transactions have four (4) key points at which transactions are checked or reviewed being; card holder personal review and reconciliation, card transaction approval by the authorising manager / executive, processing by shared services, and transaction and budget review by TasTAFE corporate. These TI breaches were not identified or highlighted at any point in this process. In our view, the authorising officer has an important role to detect such transactions at the point of approval. In the current decentralised structure of TasTAFE, a high level of reliance is being placed on managers and executives to perform their delegated duties. These findings indicate that this has not been occurring to an adequate level. We also note that these transactions and our interviews with staff indicate cultural issues where practices and behaviours were normalised over time. In our view, TasTAFE will need to implement strong boundaries and clear processes to reset expectations across the organisation.</p>		
<p><b>Recommendation:</b> We recommend TasTAFE form a view on how these compliance exceptions will be dealt with. We support management's efforts in communicating and reinforcing credit card policies and procedures across TasTAFE in recent months. We would recommend that management and the Board put in place strong boundaries in relation to compliance matters and communicate these messages clearly across the organisation.</p>	<p><b>Management Comment:</b></p> <p>Management accepts this recommendation.</p> <p>Work has been undertaken in the recent past to address inappropriate credit card use generally. TasTAFE management will consult with the State Service Management Office and the Department of Treasury and Finance in forming a view on how any proven compliance exceptions are to be dealt with for current Tasmanian public-sector employees.</p> <p>The matter of ethical spending of public money is being discussed with TasTAFE management with the Tasmanian Integrity Commission with a view to them playing a role in the education of TasTAFE staff in relation to this matter.</p> <p>With regard to the purchase of fuel on corporate credit cards, an electronic fleet management system (Smartfleet) has recently been implemented to address fleet-related issues generally, including the management of fuel cards. Additional system modifications are underway to provide additional controls. The TasTAFE fleet manager will prepare some information to be included in the staff newsletter about the appropriate use of fuel cards where the contracted fuel supplier does not have an outlet within a reasonable distance.</p> <p>The Entertainment Expenses Procedure will be reviewed and updated, and submitted to the Secretary of the Department of Treasury and Finance for approval, and then distributed to all staff. Staff will be reminded of the very strict controls around entertainment expenditure.</p> <p>Management will continue to raise awareness of this issue and will emphasise to staff the approved process of incurring entertainment expenditure clearly laid out in the Entertainment Expenses Procedure. Staff will be reminded of the need to minimise the incurring of entertainment expenses at all times and the absolute prohibition of paying for entertainment expenditure on corporate credit cards.</p> <p>This issue of significantly reducing entertainment expenditure has been an urgent issue for the new management team within TasTAFE and it is pleasing that the data analysis reflects that staff have indicated a stronger understanding in recent times of the entertainment restrictions on corporate credit cards and that there has been an overall reduction in the number and cost of meal purchases.</p> <p>With regard to the purchase of gift cards, these will no longer be purchased, and this will be communicated to staff. In situations where they have been purchased for legitimate reasons in the past, for example, where gift cards have been used as prizes for student awards, thought will be given to an alternative to be used in the future.</p>	

## Major Finding

### 5.3 Other Credit Card Controls

<p><b>Description of Issue:</b> During our compliance testing of 10 cardholders, we noted the following:</p> <ul style="list-style-type: none"> <li>• There was no appropriate supporting documentation for 35 transactions from 265 selected transactions;</li> <li>• We noted 12 missing reconciliations out of a sample of 118 months selected.</li> <li>• From the 106 monthly reconciliations tested, 2 were not authorised by the cardholder, 4 were not signed by an authorising officer and 1 was not authorised appropriately by the authorising officer.</li> <li>• From a sample of 20, 10 card acknowledgments forms had been archived and destroyed after 7 years. Of the 10 acknowledgments forms tested, 4 were not completed correctly.</li> <li>• We noted 4 card limits that were greater than the individual's authorisation limit from the 10 cardholders tested, and 2 transaction limits were greater than authorisation limits. In addition, we noted 17 transactions that were over their transaction and authorisation limits.</li> <li>• We noted one card holder who made part payments for transactions to overcome card transaction limits.</li> <li>• We noted that transactions which are not cleared as approved through the credit card software remain in a suspense account and are not processed through to an expense account. Until recently there was no process to ensure credit card reconciliations and approval processes were completed on a timely basis. We note that there still remain a number of transactions that are still in suspense. These transactions should be checked and cleared by TasTAFE. There does not appear to be a strong process for the shared services arrangement to highlight unreconciled transactions to TasTAFE.</li> <li>• The Chair of the Board is now responsible for the approval of the CEO's credit card transactions. This is occurring manually on paperwork but not electronically through the credit card system.</li> </ul> <p><b>Discussion:</b> Our compliance testing highlighted a number of deficiencies with the current credit card processes, including breaches of authorisations limits. We could not find any evidence that the breaches in authorisation limits had been detected within TasTAFE or within DoE. The results of our testing highlighted that credit card acknowledgements are not routinely updated and there are issues with the oversight and follow up of credit card reconciliations. The issues identified also highlighted a number of documentation and filing issues between TasTAFE and DoE.</p>	<p><b>Risk Rating:</b></p>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p><b>Risk Type:</b></p>	<p>Compliance</p> <p>Internal control</p> <p>Governance</p>

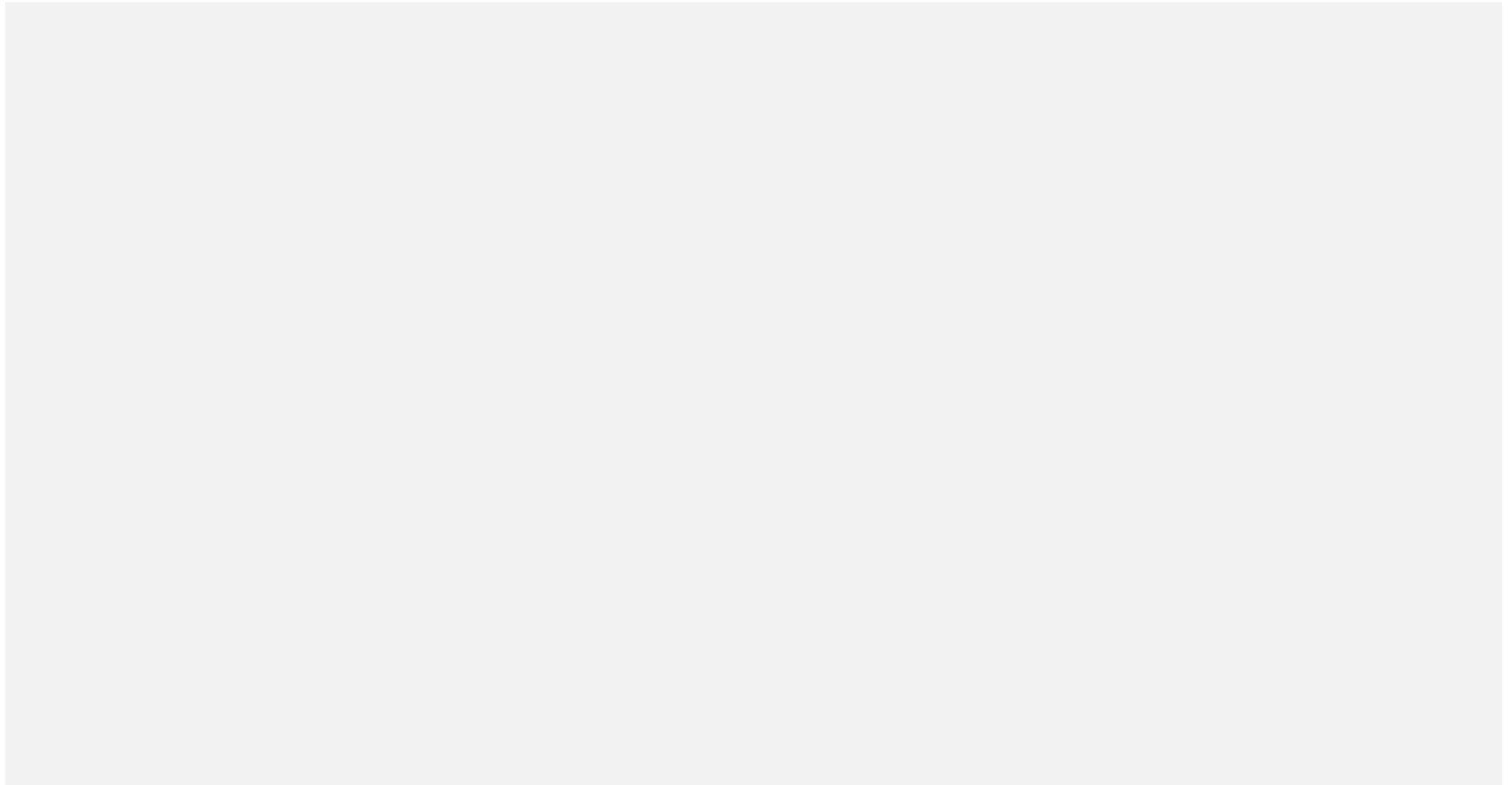
<p><b>Recommendation:</b> We recommend a full review of the internal control environment surrounding credit cards within TasTAFE specifically including clarity surrounding the monitoring and oversight of credit card controls such as breaches in limits, timeliness of reconciliations and approval processes.</p> <p>We recommend every 3 years or on replacement of a TGC, the card acknowledgement is renewed by the card holder. We note other agencies are requiring this every 12 months as part of a broader compliance approach.</p> <p>We recommend that the documentation and transaction processing issues are resolved with DoE to ensure clarity in relation to roles and responsibilities.</p>	<p><b>Management Comment:</b></p> <p>Management accepts this recommendation and will work with the Department of Education to address it as recommended.</p>
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## Major Finding

### 5.4 GST errors

<p><b>Description of Issue:</b> During our compliance testing and data analytics we noted a number of GST errors where transactions had been incorrectly processed by card holders in the credit card software. Of significance, one business unit with significant purchasing through credit cards had a high level of error in relation to GST treatment.</p> <p><b>Discussion:</b> The GST issues have been raised with Finance and they are investigating the extent of the issues noted. We note that the oversight processes had not detected the error either within TasTAFE or by DoE.</p>	<b>Risk Rating:</b>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<b>Risk Type:</b>	<p>Compliance</p> <p>Internal control</p> <p>Financial</p>
	<p><b>Recommendation:</b> We support the timely investigation and correction of the GST issues noted.</p> <p><b>Management Comment:</b></p> <p>Management accepts this recommendation.</p> <p>This issue has been addressed with the TasTAFE corporate credit card holder and their authoriser. They have had their attention drawn to the incorrect treatment of GST for these transactions and have been instructed on the correct treatment of GST when coding transactions within the corporate credit management system. TasTAFE are conducting a review of past transactions to amend and correct the GST treatment.</p> <p>A review of other card holders has been undertaken and no further errors of this kind have been detected.</p>	

## 6 Appendices



## 6.1 Approach

The scope of this project was to review the governance structure, processes, and internal control environment surrounding the use of credit cards and assess the level of compliance with TI 705 and the policy framework.

Specifically, the approach to this project included:

- Reviewing the current credit policies and procedures and commenting on the adequacy of these documents with regards to currency and availability to staff.
- Meeting with key staff responsible for the management of credit cards regarding current practice.
- Performing data analytics on the population of credit card transactions for the period 1 July 2015 to 31 July 2017.
- Reviewing a sample of credit cards, testing the acquittal process and evidence of valid supporting documentation and authorisation, including:
  - Allocation of credit card according to delegation limits;
  - Authorisation of credit card purchases prior to payment;
  - Appropriate expenditure incurred.
- Reviewed the level of compliance to TI 705 and internal policies from both the data analytics and the sample compliance testing.
- Interviewed 10 card holders in relation to the internal control framework and use of the card.

### 6.1.1 Data Analytics

We utilised data analytics techniques to interrogate 100% of the population of credit card transactions in the period to identify possible breaches of the TI and to select our sample of cardholders to complete the compliance and controls testing. Additionally, we used data analytics to analyse the data including:

- Dollar value by cardholder;
- Executive v non-executive purchases;
- Reviewing purchasing trends; and
- Reviewing categories of expenditure.

### 6.1.2 Compliance

To perform the detailed compliance testing to source documentation, our sampling approach included:




- the top five (5) highest dollar value cardholders;
- an additional five (5) cardholders based on the volume of transactions and/or targeted expenditure categories.

In selecting our sample, we ensured that there was a mix between executives and non-Executives. Our compliance testing included;

- Allocation of credit card limits according to delegation limits;
- Authorisation/approval of credit card purchases including monthly reconciliations;
- Appropriateness of expenditure incurred including agreement to source documentation;
- Correct allocation of credit card purchases to the general ledger; and
- Level of compliance to TI 705 and internal policy and procedures.

## 6.2 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit. These are opportunities for improvement.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigation Project 3 –  
Travel and  
Entertainment  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Data Analysis .....	5
4.1	Travel .....	5
4.2	Entertainment.....	6
4.2.1	Limitation of scope.....	6
5	Detailed Findings and Recommendations.....	7
5.1	Governance and policy - travel.....	8
5.2	Governance and policy - entertainment .....	10
5.3	Breaches of travel policy .....	13
5.4	Breaches of entertainment policy .....	14
5.5	Internal controls for travel and entertainment.....	15
5.6	Great Chefs Series.....	16
6	Appendices .....	17
6.1	Approach .....	18
6.1.1	Compliance .....	18
6.2	Detailed entertainment data results.....	20
6.3	Risk Rating Criteria.....	22

# 1 Executive Summary

## Our Focus

The scope of this project was to review the governance structure, processes, and internal control environment surrounding travel and entertainment within TasTAFE, and to assess the level of compliance with the policy framework.

## What is Working Well

We found the following elements are working well:

- A TasTAFE policy for entertainment has been in place since September 2016.
- The processes surrounding travel applications and claims within TasTAFE is reasonably sound.
- Recent management efforts to reinforce the policy framework within TasTAFE have resulted in a reduction in the level of entertainment expenditure.

## Findings

- High** 4 high risk findings were identified by this investigative audit including:
- Breaches in the travel policy
  - Significant breaches in the entertainment policy
  - Issues noted within the internal control structure surrounding travel and entertainment expenses including documentation, authorisation and checking controls.
  - Issues noted in relation to the Great Chef Series and the controls surrounding large projects.

## Our Recommendations

We identified opportunities for improvement and have made the following recommendations:

- that TasTAFE specific policies are developed for travel.
- that the policy framework specifically outlines the requirements for business cases to support interstate and overseas travel.
- TasTAFE may wish to consider whether the current allowance policy framework is appropriate for the needs of TasTAFE and is consistent with the TasTAFE Award provisions.
- that a strategic review be undertaken of the business partnership agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.
- that TasTAFE form a view on how the compliance exceptions identified in this report will be dealt with.
- TasTAFE must review the internal control framework surrounding payments, authorisation requirements and the use of delegations within TasTAFE and document and assign accountabilities for these controls.
- that all staff and managers undergo training in relation to the policy and internal control framework for payments and expenditure within TasTAFE.
- that a robust project management framework be put in place for all projects undertaken by TasTAFE. Applying a scaled approach based on risk and financial size, we would recommend that separate general ledger codes be established to track expenditure related to large projects and that project reporting and governance frameworks are put in place to oversee the activities within the project.

## 2 Context, Background and Scope

### Context and Background

The recent Integrity Commission report 'An investigation into a complaint of an alleged conflict of interest against senior executive officers of TasTAFE', investigated a number of allegations, of which travel and entertainment were included. This project has been identified for internal audit attention to investigate historic travel and entertainment transactions, and ensure that the internal control and governance framework surrounding these expenses is strong.

Owned by the Tasmanian Government, TasTAFE operates under the auspices of its own legislative functions and powers, the *Training and Workforce Development Act 2013*, and is governed by an independent Statutory Board which reports to the Minister for Education and Training.

With a dispersed organisation such as TasTAFE, and requirements to engage widely in the education sector, employees are expected to travel both intrastate, interstate and internationally to meet objectives. TasTAFE have the following policies which guide the behaviour and processes for incurring travel and entertainment expenses within TasTAFE: Authorisation Schedules (TasTAFE), Interstate Travel (DoE), Intrastate Travel (DoE), Overseas Travel (DoE), Travel Insurance (DoE), and Entertainment Expense Procedure (TasTAFE).

### Scope

The scope of this project was to review the governance structure, processes, and internal control environment surrounding travel and entertainment within TasTAFE, and to assess the level of compliance with the policy framework. Specifically, the scope addressed:

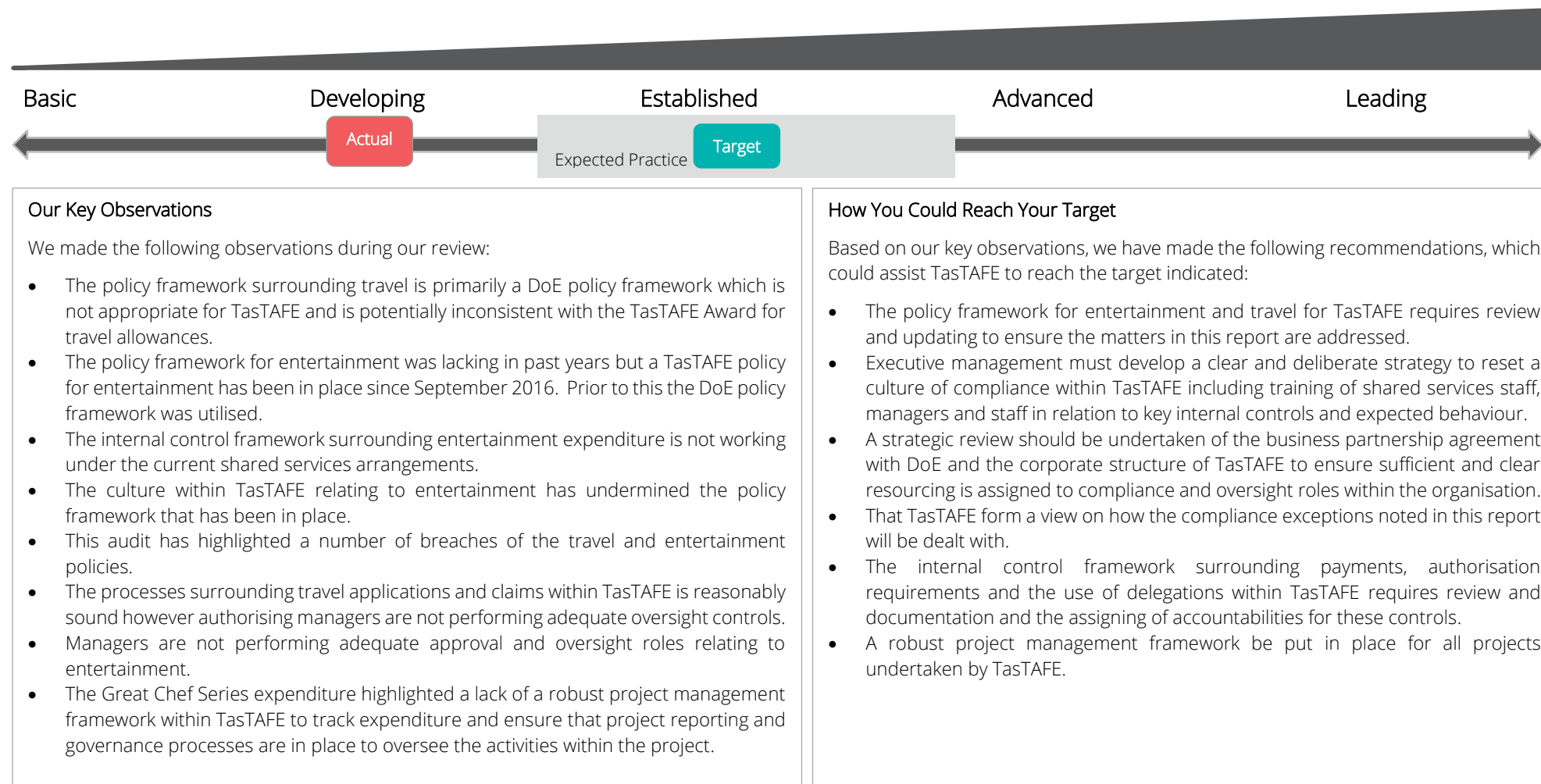
- Authorisation of travel and entertainment expenses and, in particular, the approval of air travel and accommodation;
- Purpose of travel and entertainment is within policy guidance and accepted principles for a public-sector organisation;
- How the policy is applied for private purposes that occur in conjunction with business travel;
- Responsibility and handling of breaches in the travel and entertainment policy;
- Policies and procedures in relation to entertainment expenses; and
- Records management.

The scope included a review of the availability, currency and adequacy of the policy framework.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

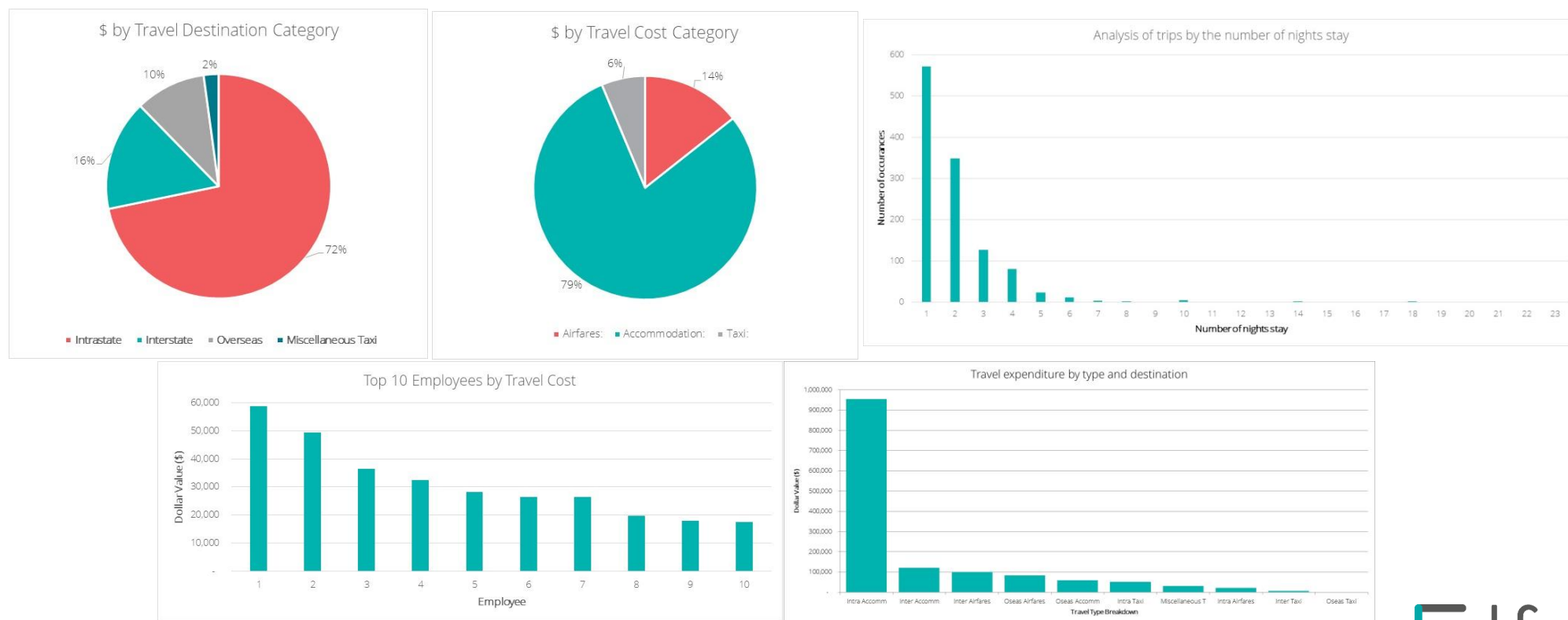
Based on our review of the use of credit cards within TasTAFE, we have assessed the maturity of the internal control and governance framework as follows:



## 4 Data Analysis

### 4.1 Travel

We were provided with all travel-related transactions by TasTAFE made between July 2015 to July 2017 from the general ledger expense accounts relating to travel (based on the date the data was entered into the general ledger). We performed data analytics to identify trends for the period including employees that had the most overnight stays and employees that incurred the highest travel expenses. Based on the travel data provided and focusing on these trends, we selected a sample of 25 travel events for detailed testing. A further 2 travel events were selected based on the narration of the transactions, taking the total sample to 27. Our data analysis identified total travel related expenditure of \$1.431m over the period of this review of which \$1.027m has been incurred for intrastate travel (71% of total travel costs), \$228,343 (16%) for interstate travel and \$145,166 (10%) for overseas travel. The analysis of the data clearly indicates that intrastate accommodation is the largest cost category, and one night stays the most prevalent. This is reflective of the amount of travel being undertaken across Tasmania. We reviewed the top 10 employees by travel cost and noted it included 3 executive managers, including the highest spend.



## 4.2 Entertainment

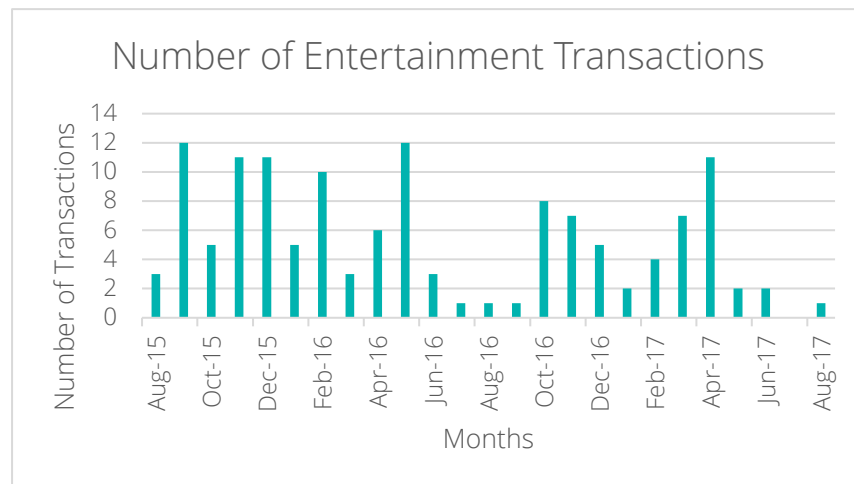
### 4.2.1 Limitation of scope

There is no data set available for entertainment within TasTAFE. The general ledger does not include any cost codes titled entertainment. To perform this project, we therefore had to perform audit procedures to identify entertainment transactions throughout the general ledger of TasTAFE. Due to this limitation, we are unable to give assurance that we have identified the full population of entertainment transactions incurred in the last 2 years within TasTAFE. To identify entertainment transactions, we:

1. Interrogated 100% of the credit card transactions from 1 July 2015 to 31 July 2017 by supplier category to identify transactions incurred relating to entertainment.
2. Review the master suppliers listing for TasTAFE and identified suppliers of entertainment related goods and services such as restaurants.
3. Reviewed all reimbursements to Executive Managers through the creditors systems for the past 2 years for transactions related to entertainment.

Through this project, we identified a number of transactions where the narration on the transaction was not fully representative of the nature of the transactions (refer 5.2.2). We also identified instances where the expense code that the transaction was posted to was not reflective of the nature of the transaction (refer 5.2.2). Due to these findings, we are unable to provide assurance that there are not more of these transactions within the financial ledger of TasTAFE. It is resource prohibitive to attempt to identify these transactions as it would require a full audit of all transactions within the general ledger of TasTAFE.

The results of our audit work on entertainment transactions is based on the transactions identified through the above audit processes.



This graph shows the entertainment expenses identified in this audit by month. The analysis indicates that there has been a decrease in the number of transactions per month in recent months as management have been reinforcing the policy framework of TasTAFE. The spike in transactions in April 2017 relates to the Great Chef Series which is further discussed in 5.6 below.

## 5 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided our findings in three (3) sections:

- Governance and policy
- Breaches of the travel policy
- Breaches of the entertainment policy

Travel and entertainment are very separate processes within the TasTAFE. Overall the system for managing travel within TasTAFE is reasonably sound with clear processes for applying for and approving travel. The policy framework however is the Department of Education Framework; TasTAFE only refers to travel in the Authorisation Schedules of the organisation. The findings of this report highlight however, significant opportunities to enhance the control and governance framework surrounding entertainment within TasTAFE. The issues highlighted by the Integrity Commission report's findings have been confirmed by this audit, particularly in relation to the entertainment expenditure incurred by senior executives and personal travel costs being paid by TasTAFE. The senior managers and executives interviewed for travel and entertainment indicated a sound understanding of travel policies however, given the absence of policy guidance for food while travelling, there were varied responses in relation to what is reasonable to incur. For entertainment, senior and executive managers acknowledged a previous culture which involved significant entertainment expenditure. There was a consistent understanding shown by Managers in the interviews that the previous actions were not acceptable and have since been ceased. There has been a focus by executive management to reinforce the credit card policy and general compliance across TasTAFE in recent months, which includes expenditure on entertainment. Further work is required to enhance the internal control and governance structure surrounding travel and entertainment as outlined below.

## Major Findings

### 5.1 Governance and policy - travel

Ref	Description	Details	Recommendations	Management Comment
5.1.1	Policy	TasTAFE do not have any TasTAFE specific travel policies other than the approval requirements for travel documented in the TasTAFE Authorisation Schedules. TasTAFE currently adopt the Department of Education (DoE) travel policy framework. This framework however is not relevant to TasTAFE in all aspects, such as required approvals, and therefore in these cases it is assumed that staff will revert to TasTAFE policies. This framework is difficult and not intuitive for staff to clearly understand the requirements. The provisions for insurance within the policy also specific to the Department of Education and therefore the policy lacks clarity in relation to the applicability to TasTAFE. The Authorisation Schedules of TasTAFE do not reference overseas travel. The travel policies relating to allowances within DoE are potentially inconsistent with the TasTAFE award.	We recommend that TasTAFE specific policies are developed for travel.	Management accepts that TasTAFE requires a TasTAFE specific travel policy framework. Clarity will be sought to the applicability and coverage for TasTAFE under the relevant insurance coverage.
5.1.2	Amount of Travel	The findings of this review highlight that there is a significant amount of travel that is undertaken in delivering the operations of TasTAFE. This is not surprising given the distributed nature of the organisation however the current organisational structure, and the scheduling of internal meetings, is contributing to a significant level of travel which could be reduced. In our view, a review of the reason and extent of travel is required to identify opportunities to reduce travel, both from a cost management perspective but also more importantly from a work, health and safety risk management perspective.	We would suggest that management consider the key drivers for travel within TasTAFE and look to minimise the requirements as far as possible. We would see the Executive of TasTAFE as responsible for setting the tone in relation to travel within the organisation.	Management accepts that both the approval process for travel and the need for travel requires analysis and change.

## Major Findings

### 5.1 Governance and policy - travel

Ref	Description	Details	Recommendations	Management Comment
5.1.3	Business case for significant travel	We noted instances where a number of poor business cases were put forward in relation to travel, including international travel. These trips were however, approved. Examples of this included business cases for interstate and intrastate travel with descriptions such as 'meeting' or 'conference' or 'student visits', and a business case for international travel noted 'to confirm arrangements'. In our view, the business case documentation for significant travel should include sufficient information so as to demonstrate that the use of resources is warranted.	We recommend that the policy framework specifically outlines the requirements for business cases to support interstate and overseas travel. Managers should be trained to ensure they understand their role in ensuring that the business case is robust to support the application to travel.	Management accepts that both the approval process for travel and the need for travel requires analysis and change.
5.1.4	Policy of paying allowances versus actual	TasTAFE currently pay allowances to non-executive staff members for travel which include accommodation and incidentals such as meals. For interstate travel which extends beyond 2-3 nights, the amount paid to staff is significant with no oversight on the accommodation chosen by the employee, or whether the costs were actually incurred. We note that this policy approach is potentially inconsistent with the TasTAFE Award which would require further legal analysis on the interpretation on the payment of travel costs that have been 'incurred'.	TasTAFE may wish to consider whether the current allowance policy framework is appropriate for the needs of TasTAFE, and is consistent with the TasTAFE Award provisions. It may be appropriate or required to consider paying actuals for accommodation for travel rather than an allowance.	Management accepts that the payment of travel allowances must be made in accordance with the appropriate industrial award. If best practice for such payments is not covered by the relevant award, then these matters should form part of negotiations surrounding award provisions at the appropriate time.

## Major Findings

### 5.2 Governance and policy - entertainment

5.2.1	Policy	<p>TasTAFE have an 'Entertainment Expenses Procedure' which specifies the rules relating to incurring entertainment expenditure. The policy is a TasTAFE badged policy which was issued in September 2016. Prior to this date, an entertainment policy did not exist for TasTAFE. A DoE entertainment policy was in place from November 2014. In the absence of a TasTAFE specific policy, the staff and management of TasTAFE were to comply with the DoE policy.</p> <p>We have reviewed the current TasTAFE policy, and the draft amendments which are yet to be implemented. The revised entertainment policy is sufficiently detailed to guide the incurring of entertainment expenses. We would recommend that the policy also requires that the invoices, or a signed staff declaration form, include the breakdown of food and alcohol, the number of attendees, whether the attendees are TasTAFE staff or external parties, and the purpose for the entertainment expenditure.</p>	<p>We support the new version of the entertainment policy which is yet to be implemented but would recommend the addition of requirements regarding the documentation of the entertainment expense. We recommend that a communication and training strategy is adopted for the roll out of the policy to ensure all staff are made aware.</p>	<p>Management will implement the revised Entertainment Expenses Procedure as soon as possible. This implementation will include a communication and training strategy. The Integrity Commission will be consulted with regard to this implementation strategy.</p>
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## Major Findings

### 5.2 Governance and policy - entertainment

5.2.2	Business Partnership Agreement with DoE	<p>Our audit identified a number of issues which reflect on the current Business Partnership Agreement with DoE. The internal control framework surrounding entertainment expenditure is not working under the current arrangements. We note that the Business Partnership Agreement is currently silent on the responsibility for internal controls between TasTAFE and DoE. In our view the following issues noted reflect on this agreement as it currently stands:</p> <ul style="list-style-type: none"> <li>• The authorisation signatures on TasTAFE invoices are not being checked before being processed and paid. DoE do not have an authorised list of signatures. On many of the invoices reviewed in this audit, we were unable to identify the signature and therefore who authorised the transaction.</li> <li>• There is no checking of the coding or narration of the transactions prior to processing and payment. We noted a number of transactions where the coding and/or narration within the general ledger was not reflective of the nature of the transaction.</li> <li>• There has been no evidence that transactions which appear to breach entertainment policies were flagged by DoE staff to TasTAFE management when processed.</li> <li>• DoE complete the TasTAFE FBT return and therefore would be knowledgeable of the issues associated with identifying entertainment related expenditure in the general ledger.</li> </ul> <p>Without these critical controls being performed by the finance function, it appears that there is currently no mechanism other than manager authorisation to check compliance with policy. There must be clarity between TasTAFE and DoE in relation to key roles and accountabilities as well as processes to ensure the internal control structure is maintained for TasTAFE. In our view, the current decentralised structure of TasTAFE with a limited corporate services function, and the business partnership agreement with DoE is resulting in a lack of clarity and/or resourcing assigned to critical compliance and oversight roles within the organisation.</p>	<p>We recommend that a strategic review be undertaken of the business partnership agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.</p> <p>This recommendation has been made in the Project 2 report.</p>	<p>Management accepts this recommendation and will work with the Department of Education to address it as recommended.</p>
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## Major Findings

### 5.2 Governance and policy - entertainment

5.2.3	Culture and compliance	<p>Entertainment related policies have been in existence for reference by TasTAFE staff since August 2014. The interview processes undertaken highlighted anecdotally a culture whereby purchasing coffees and having business meetings off-site at restaurants and eateries was considered appropriate and was normalised over time by the attitude and behaviour of authorising managers. The culture within TasTAFE relating to entertainment has undermined the policy framework that has been in place. Our data analytics procedures have identified an overall reduction in the number and cost of meal purchases in recent months across the organisation since the policy relating to entertainment was reinforced.</p> <p>The attitudes and behaviours of staff, and particularly those in senior management positions, underpins the effectiveness of any internal control structure. A culture of compliance must be developed and reinforced within TasTAFE.</p>	We recommend that management develops a specific strategy to address the culture, behaviours and attitudes of TasTAFE staff, and in particular managers, to ensure that a culture of compliance is developed within the organisation.	Management accepts the recommendations. A major education strategy with regard to relevant legislation and Treasurer's Instructions is to be implemented. The Integrity Commission will be consulted on the strategy to be implemented.
5.2.4	Executive travel policy limits	<p>Our audit testing identified a significant number of transactions relating to food and accommodation expenses for executive staff members. While these expenses are valid for work-related travel purposes, the current travel policy does not specify any limits or provide any guidance for executives on what is 'reasonable'. Non-executive staff members are provided an allowance to cover food and accommodation when travelling which restricts the costs incurred by TasTAFE. This is not the case for executive staff members who are able to put travel expenditure on their credit card.</p> <p>The data analytics and detailed testing highlighted 27 transactions where meals were purchased at well-regarded restaurants or where accommodation was booked at hotels where the cost per night well exceeding the accommodation allowance for staff.</p>	This has been reported in the project 2 credit card report.	Management accepts that more specific guidance needs to be contained in the travel policy as to spending limits and reasonableness with regard to community expectations for Executive travel and the associated expenses.

## Major Findings

### 5.3 Breaches of travel policy

<p><b>Description of Issue:</b> Based on our sample testing of travel expenditure, we noted a number of breaches in the travel policy.</p> <p><b>Discussion:</b> The compliance exceptions noted included:</p> <ul style="list-style-type: none"><li>• 3 out of 27 travel events were approved outside of delegation. All three breaches were at the divisional manager level.</li><li>• 2 out of 27 trips used business class travel. The same individual travelled in these instances. One was approved, the other had no approval.</li><li>• We noted 1 interstate trip where there was no evidence of work related purposes.</li><li>• We noted 5 travel allowances paid that we were unable to agree to the travel allowance schedule. In 2 of these instances, the allowances paid did not agree to the Schedule of Allowances. In 3 of these instances, we were unable to recalculate the allowance due to insufficient detail being provided in relation to the travel. In all of these instances the travel allowance had been approved.</li></ul>	<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.
		Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.
	<b>Risk Type:</b>	Compliance  Internal control  Governance
<p><b>Recommendation:</b> We recommend TasTAFE form a view on how these compliance exceptions will be dealt with. We support management’s efforts in communicating and reinforcing policies and procedures across TasTAFE in recent months.</p>	<p><b>Management Comment:</b></p> <p>Management accepts the recommendation.</p>	

## Major Findings

### 5.4 Breaches of entertainment policy

<p><b>Description of Issue:</b> Based on our testing of identified entertainment related transactions, we noted a significant number of breaches in the entertainment policy.</p> <p><b>Discussion:</b> The compliance exceptions noted included:</p> <ul style="list-style-type: none"> <li>• 143 entertainment transactions, of which 99 related to meals or coffees for non-travelling employees. In 45 of these instances, the meals or coffees included third parties. <ul style="list-style-type: none"> <li>◦ 36 of these entertainment transactions involved meals at well-regarded restaurants, totalling \$12,775.</li> </ul> </li> <li>• We noted 3 entertainment transactions where alcohol formed a significant portion of the bill.</li> <li>• We noted a number of transaction that breached authorisation requirements of the entertainment policy, these included; <ul style="list-style-type: none"> <li>◦ 79 credit card entertainment expenses were approved but should not have been under the TI.</li> <li>◦ 15 supplier invoices were approved by Managers outside of the entertainment authorisation limits.</li> <li>◦ 20 executive manager reimbursements were approved as part of a multi-transaction reimbursement therefore the entertainment transaction was not separately approved as per policy.</li> </ul> </li> <li>• We identified 25 transactions where the authorisation stamp was not used on the invoice and therefore we were unable to determine if authorised appropriately.</li> <li>• The entertainment policy titled 'Entertainment Expenses Procedure 16 August 2016' requires that approval for entertainment related expenses must be obtained before expenses are incurred. We were unable to sight any documentary evidence to verify that approval has been sought in advance before the entertainment expenses were incurred.</li> </ul> <p>Our data analytics procedures have identified an overall reduction in the number and cost of meal purchases in recent months across the organisation since the policy relating to entertainment was reinforced. The interview processes undertaken highlighted anecdotally a culture whereby purchasing coffees and having business meetings off-site at restaurants and eateries was considered appropriate. All staff interviewed now indicate a strong understanding of the entertainment restrictions on TGCs, and the entertainment policy more broadly.</p>	<p><b>Risk Rating:</b></p>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p><b>Risk Type:</b></p>	<p>Compliance</p> <p>Internal control</p> <p>Governance</p>
<p><b>Recommendation:</b> We recommend TasTAFE form a view on how these compliance exceptions will be dealt with. We support management's efforts in communicating and reinforcing policies and procedures across TasTAFE in recent months.</p>	<p><b>Management Comment:</b></p> <p>Management accepts the recommendation.</p>	

## Major Findings

### 5.5 Internal controls for travel and entertainment

**Description of Issue:** Based on the results of this audit, we noted a number of issues associated with the internal control framework surrounding travel and entertainment within TasTAFE.

**Discussion:** The internal control and documentation weaknesses noted included:

- A lack of evidence that travel was confirmed as having occurred for allowances paid in advance. The lack of documented internal controls over allowances paid in advance increases the risk of inappropriate or fraudulent allowances being claimed. We note that we did not find any evidence that fraudulent activity was occurring.
- A lack of sufficient documentation on travel warrants and staff diaries to inform the calculation of travel allowances. Managers are approving allowances without sufficient information to ensure that the allowances are consistent with policy.
- The internal controls within the corporate services arrangements as noted in 5.2.2 above are not being performed including the checking of authorisation on transactions, and the checking of the coding and narration of transactions. We noted transactions where the coding and narration were not reflective of the nature of the transaction.
- Transactions are being approved by Managers on credit cards and through the suppliers ledger which breach the credit card and entertainment policies.
- Transactions are being approved by Managers outside of delegations.

**Risk Rating:**

**High:** Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  
  
Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.

**Risk Type:**

Compliance  
Internal control  
Governance

**Recommendation:** We recommend TasTAFE review the internal control framework surrounding payments, authorisation requirements and the use of delegations within TasTAFE and document and assign accountabilities for these controls. We recommend that the corporate services staff within TasTAFE and DoE, and all managers within TasTAFE are trained in the internal control requirements and that further audit work is scheduled to ensure these controls are in place and working effectively.

**Management Comment:**

Management accepts this recommendation and will work with the Department of Education to address it as recommended.

## Major Finding

### 5.6 Great Chefs Series

**Description of Issue:** During the audit, we noted a significant number of entertainment and travel transactions relating to the Great Chefs Series. There does not appear to have been a strong project management and oversight structure applied to this event resulting in significant costs being incurred by TasTAFE.

**Discussion:** From our review, we noted 40 transactions relating to the Great Chefs Series, totalling over \$30k; this is not a complete population of all transactions relating to the series. There does not appear to have been a robust project management approach applied to the series with a number of issues identified within the audit relating to the costs incurred including:

- Significant entertainment expenses incurred to entertain the visiting chefs. These events did not appear to have approval in advance.
- Inability to confirm that costs had been authorised within delegations due to insufficient documentation of authorisation.
- Significant alcohol purchased for 1 dinner for a visiting chef. Other dinner invoices / documentation did not specify the alcohol versus food breakdown.
- Lack of documentation on the invoices received to identify the nature of the expenses being incurred. This is particularly the case for invoices received from Tourism North.

We note that a forensic investigation has been undertaken relating to costs incurred for the Great Chef Series which identifies the issues above.

**Recommendation:** We understand that an investigation has occurred into the issues that were identified relating to the Great Chefs Series. We recommend that a robust project management framework be put in place for all projects undertaken by TasTAFE. Applying a scaled approach based on risk and financial size, we would recommend that separate general ledger codes be established to track expenditure related to large projects and that project reporting and governance frameworks are put in place to oversee the activities within the project.

**Risk Rating:**

**High:** Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.

Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.

**Risk Type:**

Governance

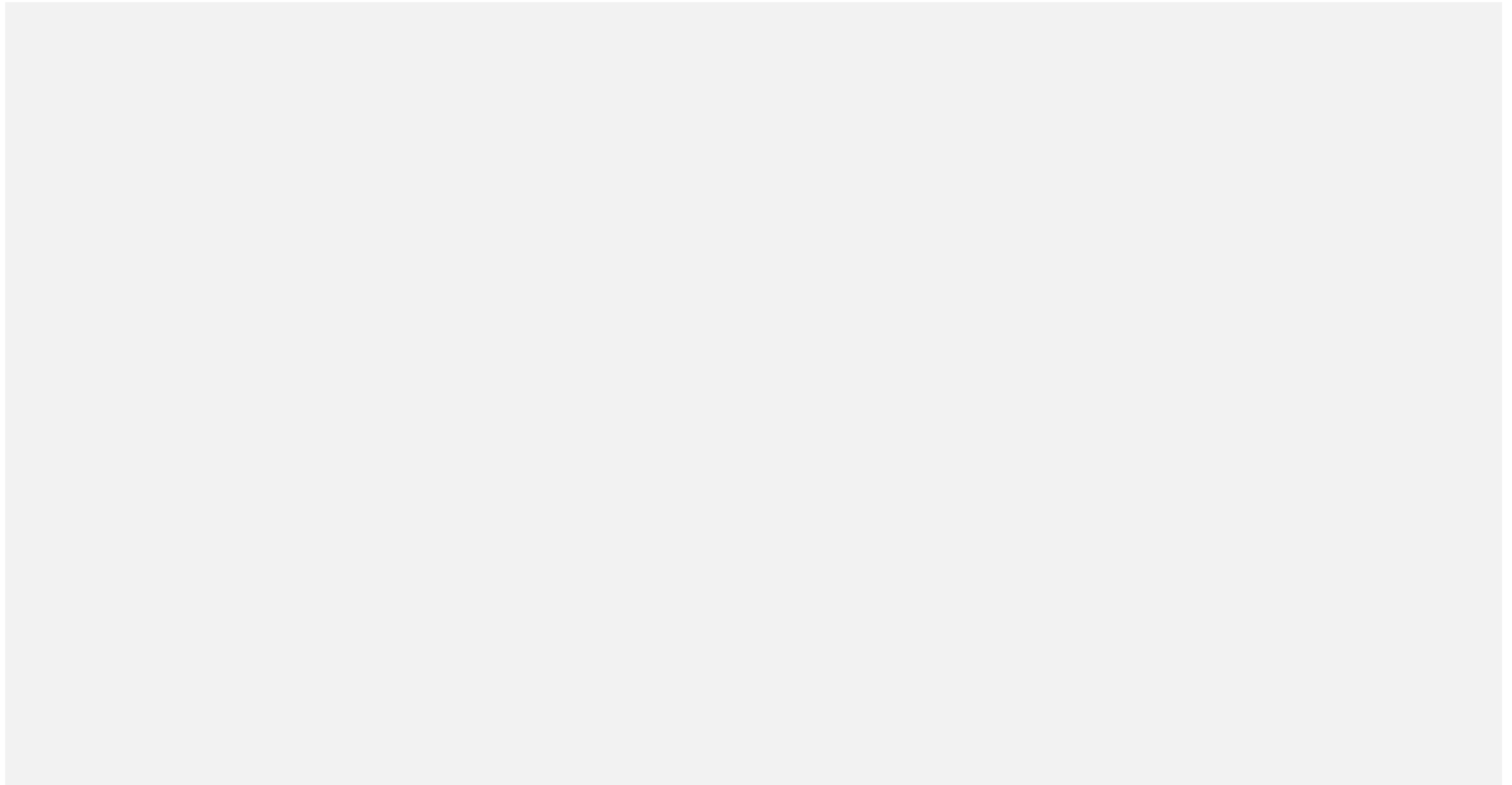
Internal control

Financial

**Management Comment:**

We agree with the recommendation made and will review the processes in place in relation to the governance and financial processes applied to significant projects.

## 6 Appendices



## 6.1 Approach

The following outlines the approach undertaken for this investigative project:

- Benchmarked the TasTAFE travel and entertainment policies against best practice;
- Identified any deficiencies in the current policy framework;
- Performed data analytics of key travel expense accounts;
- Performed audit procedures to attempt to identify entertainment transactions within the general ledger of TasTAFE.
- Compliance testing against policy for a sample of transactions;
- Interviews with key staff to discuss and validate findings and address further questions.

### 6.1.1 Compliance

To perform the detailed compliance testing for travel expenditure, our sampling approach included:

- Twenty-five (25) travel events selected on the basis of level of expenditure (\$) and staff with significant travel; and
- Two (2) additional targeted selections based narrations of these transactions.

In selecting our sample, we ensured that there was a mix between executives and non-executives, intrastate, interstate and overseas and number of overnights. Our compliance testing included;

- Authorisation/approval of travel warrants;
- Minister approval for international travel;
- Appropriateness of the business cases completed for international travel;
- Check of the authorisation of travel expenditure to the Authorisation Schedules of TasTAFE, including a check to which position the manager was in at the time of approval;
- Compliance of travel reimbursements with the Schedule of Allowances.

To perform the detailed compliance testing for entertainment expenditure, we:

- Utilised the data obtained from the credit card data analytics classified as entertainment;
- Reviewed the master supplier listing (creditors master file) for any suppliers which could include entertainment related expenditure and checked transactions paid to these suppliers. We targeted all food related suppliers and other suppliers who provided entertainment related services; and
- Reviewed all reimbursements to executive managers through the creditors system.

To test the entertainment transaction, we:

- Agreed the transactions selected to invoice;
- Ensured appropriate authorisation/approval of entertainment transactions;
- Prior approval occurred for all entertainment transactions;
- Appropriateness of entertainment transaction against policy; and
- Checked food related purchases to executive manager personal diaries (where possible and available) to ascertain if the food purchase was travel or entertainment related.

## 6.2 Detailed entertainment data results

The below table outlines the findings for the entertainment transactions:




	Credit Cards	Supplier Invoices paid through creditors	Reimbursements to employees	Total
Number of possible transactions identified within the general ledger of TasTAFE and selected for testing	214	66	62	342
<b>Number of transactions identified as entertainment expense in accordance with the definition of entertainment within the new policy</b>	<b>79</b>	<b>44</b>	<b>20</b>	<b>143</b>
Total expenditure on entertainment identified for period	\$6,044	\$40,565	\$910	\$47,519
Of these entertainment transactions identified:				
Number of meals/coffee for non-travelling employees	48	-	6	54
Number of meals/coffee for non-travelling employees with third-party	31	-	14	45
Number of transactions identified as entertainment expense outside of policy <sup>1</sup>	79 (Includes 1 high alcohol consumption) – noted as outside of policy as they are a breach of the TI	2 (high alcohol consumption)	20	101
Total expenditure on entertainment outside of policy identified for period	\$6,044	\$1,066	\$910	\$8,020

<sup>1</sup> We note that a DoE entertainment policy was in place for reference by TasTAFE prior to September 2016 when a TasTAFE policy was issued. The policy framework required approval of entertainment expenses but provided little guidance on what was 'inappropriate'. In assessing whether a transaction was outside of policy, we considered the TI requirements for credit card use, and the definitions which are included in the new draft policy to be issued by TasTAFE which is consistent with best practice across the Tasmanian public sector and specifically disallows meal or coffee purchases off-site for TasTAFE staff meetings for non-travelling employees. The requirements for entertainment for Board or third parties included approval in advance.

	Credit Cards	Supplier Invoices paid through creditors	Reimbursements to employees	Total
Number of authorisation breaches per the entertainment policy – where the authorisation did not comply with the escalated approval requirements within the policy	79 – credit card entertainment expenses were approved but should not have been.	15 – were approved by Managers outside of delegations	20 – these transactions were approved as part of a multi-transaction reimbursement therefore the entertainment transaction was not separately approved as per policy	114
Number of transactions identified with illegible signatures therefore unable to confirm appropriate authorisation in accordance with policy	-	25	-	25
Number of transactions identified at well-regarded restaurants	20	10	6	36
Total expenditure at well-regarded restaurants for the period	\$4,429	\$7,349	\$997	\$12,775
Great Chefs Series				
Number of Great Chef Series entertainment transactions identified in this audit	7	20	13	40
Total entertainment expenditure on Great Chef Series identified in this audit	\$1,812	\$26,741	\$1,906	\$30,459

## 6.3 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit. These are opportunities for improvement.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigation Project 4 –  
Personal Benefits  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
2.1	Key Risk Areas.....	4
2.2	Gifts, Benefits and Hospitality Flowchart.....	7
3	Summary of Findings.....	8
3.1	Process Maturity Assessment.....	8
4	Detailed Findings and Recommendations.....	9
4.1	Governance and Policy.....	10
4.2	Breach of Gifts, Benefits and Hospitality Policy .....	14
4.3	Internal Controls.....	15
5	Appendices .....	16
5.1	Approach .....	17
5.2	Site Visits.....	18
5.3	Risk Rating Criteria.....	19

# 1 Executive Summary

## Our Focus

The scope of this project was to review the governance structure, processes, and internal control environment surrounding personal benefits within TasTAFE, and assess the level of compliance within the policy framework relevant to personal benefits.

## What is Working Well

We found the following elements are working well:

- There are current policy and procedure documents available to provide guidance in relation to the acceptance of gifts and hospitality.
- The policy is consistent with the Whole of Government example made available by the Department of Premier and Cabinet.
- Some employees made appropriate declarations of gifts and benefits received.
- Some divisions have additional processes in place to monitor the use of equipment by both teachers and students, where guidance was not available through the policy.

## Findings

### High

We noted potential breaches to the *State Service Act 2000* (SS Act) and the State Service Code of Conduct. We identified three (3) high risk findings as part of this review.

We also made six (6) observations and recommendations in relation to governance and policy matters relating to the personal benefits framework.

## Our Recommendations

We identified opportunities for improvement and have made the following high-level recommendations:

- We recommend that the policy framework is reviewed and updated to include guidance in relation to the use of TasTAFE resources for personal benefit and the availability of outputs from student courses, such as seedlings and plants, fruit, or carpentry projects.
- We also recommend that declarations of gifts and benefits are managed centrally as a function of the Human Resources division.
- We recommend that ongoing ethics training is provided to staff on a regular basis.
- It is recommended that employees are reminded of their obligations in reporting gifts and benefits at least on an annual basis. Obligations can also be reinforced by managers during performance review discussions and team meetings.
- We recommend reviewing security measures in place across TasTAFE campuses, particularly those in remote regions as well as ensuring that all store areas are locked when equipment is not in use.

## 2 Context, Background and Scope

### Context and Background

TasTAFE is established under Part 5 of the *Training and Workforce Development Act 2013* as a body corporate and an agency of the Crown. It is governed by a Board of Directors which reports to the Minister for Education and Training.

TasTAFE's Chief Executive Officer (CEO) and employees are appointed under the *State Service Act 2000* and, as such, are subject to the provisions of that Act. *The State Service Act 2000* establishes a set of State Service Principles (s. 7) and a State Service Code of Conduct (s. 9). This Code of Conduct makes specific reference to personal benefits and states that an employee who receives a gift in the course of his or her employment, or in relation to his or her employment, must declare that gift as prescribed by the regulations. Sanctions may be imposed on an employee or officer who is found to have breached the Code of Conduct (s. 10).

The recent Integrity Commission report, *'An investigation into a complaint of an alleged conflict of interest against senior executive officers of TasTAFE'* (Report No. 2 of 2017), made a number of findings relating to the unauthorised conferral of personal benefits. The purpose of this investigative project is to review the TasTAFE governance framework surrounding gifts and benefits in light of the Integrity Commission's findings.

Other laws and Tasmanian Government policies relevant to this review include:

- *State Service Regulations 2011*;
- Employment Directions;
- Treasurer's Instructions;
- Tasmanian Government 'Gifts, Benefits and Hospitality Policy';
- Integrity Commission 'Gifts and Benefits' resources; and
- Treasury 'Buying for Government' guidelines.

This investigative project involves a high-level review of TasTAFE policies and processes in relation to gifts and benefits and testing of the level of compliance with those policies and processes.

### Scope

The scope of this project is to review the governance structure, processes and internal control environment surrounding personal benefits within TasTAFE and assess the level of compliance within the policy framework relevant to personal benefits.

Specifically, we have assessed practices adhered to in the following areas:

- External offering of gifts and benefits;
- Declaration of gifts accepted or received;
- Declaration of personal benefits;
- Inappropriate acceptance of gifts or benefits;
- Personal Benefits incurred outside policy framework;
- Use of TasTAFE resources, information or position to gain a benefit or advantage; and
- Secondary employment, including use of TasTAFE resources, information or position to gain a benefit or advantage in relation to the secondary employment.

The scope of this project included benchmarking processes against best practice controls and identifying areas of TasTAFE's operations at higher risk of inappropriate gifts, benefits, or the use of resources and information.

WLF is also conducting concurrent projects in relation to gifts and benefits and procurement and contracting. It is anticipated that there will be some overlap between these projects. Where such overlap occurs, it is acknowledged in this report.

## 2.1 Key Risk Areas

We reviewed the Integrity Commission's report into TasTAFE, the Integrity Commission's guidance material in relation to risk areas in Tasmanian State Service agencies, and relevant reports from integrity bodies in NSW and Victoria. Based on these materials, several key risk areas were identified including the procurement of goods and services, secondary employment and staff and student assessments. These key risk areas have been summarised in the following table and have been incorporated in our review of personal benefits. Our findings are found in section 3.

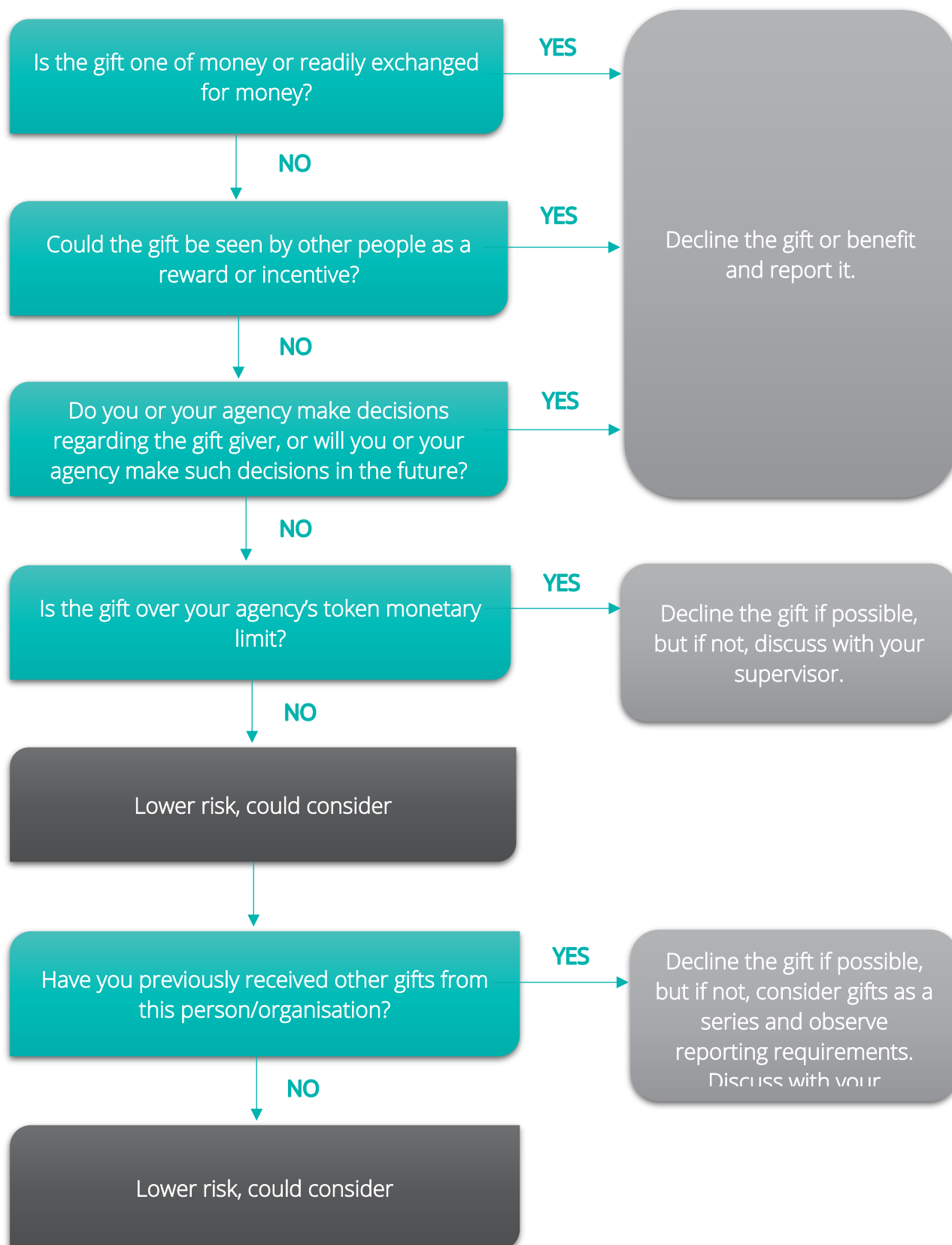
Potential Misconduct	Key risk areas for TasTAFE	Examples where personal benefit may be received	Findings from this audit
<b>External offering and acceptance of gifts and benefits</b>			
<ul style="list-style-type: none"> <li>• Offers of gifts / benefits to a public official as an inducement to act in a particular way.</li> <li>• Soliciting and receipt of gifts and benefits by public officials in return for acting in a particular way.</li> <li>• Failure to declare gifts and benefits that give rise to an actual or perceived conflict of interest.</li> </ul>	<ul style="list-style-type: none"> <li>• Exercise of statutory functions, especially in relation to assessment and conferral of qualifications.</li> <li>• Procurement of goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>• Offering/giving gifts or payments to academic staff to pass, confer higher marks on or award an unattained qualification to a student.</li> <li>• Inducements to administrative staff to alter student records.</li> <li>• Undisclosed receipt of gifts or benefits by academic or administrative staff.</li> <li>• Commissions or other benefits given or offered by contractors to procurement staff.</li> </ul>	<ul style="list-style-type: none"> <li>• There was no evidence of any offering and acceptance of gifts and hospitality by external parties.</li> </ul>

Potential Misconduct	Key risk areas for TasTAFE	Examples where personal benefit may be received	Findings from this audit
<b>Use of TasTAFE resources, information or position to gain a personal benefit or advantage</b>			
<ul style="list-style-type: none"> <li>Claims for benefits (remuneration, allowances, expenses) to which the public official is not entitled.</li> </ul>	<ul style="list-style-type: none"> <li>Appointment and promotion.</li> <li>Claims for allowances/expenses.</li> <li>Use of agency credit cards.</li> </ul>	<ul style="list-style-type: none"> <li>False or excessive claims for travel/expenses.</li> <li>Approval of allowances to which employee is not entitled.</li> </ul>	<ul style="list-style-type: none"> <li>Our review in relation to the use of corporate credit cards indicates that there was potential use to gain a personal benefit.</li> <li>Our review in relation to conflicts of interest highlights an example of an employee potentially making claims for additional hours and allowances alongside making claims through their company where TasTAFE was procuring services.</li> </ul>
<ul style="list-style-type: none"> <li>Making false or misleading statements, including falsifying records, in order to confer a benefit on the public official or another person.</li> </ul>	<ul style="list-style-type: none"> <li>Student enrolments.</li> <li>Assessment.</li> <li>Procurement of goods and services.</li> <li>Payroll.</li> <li>Secondary employment.</li> </ul>	<ul style="list-style-type: none"> <li>False enrolments.</li> <li>False invoices.</li> <li>Falsely certifying performance of work by contractor.</li> <li>Falsely authorising payments of allowances, expenses etc to persons not entitled to them.</li> </ul>	<ul style="list-style-type: none"> <li>Our review highlights an example of a teacher potentially falsifying records relating to an assessment of a student.</li> </ul>
<ul style="list-style-type: none"> <li>Incorrect performance of a function or process to benefit the public official or another person.</li> </ul>	<ul style="list-style-type: none"> <li>Procurement of goods and services.</li> <li>Assessment.</li> <li>Secondary employment.</li> </ul>	<ul style="list-style-type: none"> <li>Splitting of orders to avoid procurement process/tender thresholds.</li> <li>Passing students without assessment.</li> <li>Passing students who failed assessment.</li> </ul>	<ul style="list-style-type: none"> <li>Our review in relation to procurement highlights potential splitting of orders to avoid procurement tender thresholds (refer investigation project 6).</li> </ul>

Potential Misconduct	Key risk areas for TasTAFE	Examples where personal benefit may be received	Findings from this audit
<ul style="list-style-type: none"> <li>Use of agency resources to the benefit of the public official and/or their associates.</li> </ul>	<ul style="list-style-type: none"> <li>Secondary employment.</li> <li>Procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Use of TasTAFE funds.</li> <li>Use of TasTAFE equipment or facilities.</li> <li>Use of TasTAFE personnel on work time.</li> <li>Use of TasTAFE property.</li> <li>Use of confidential information held by TasTAFE.</li> </ul>	<ul style="list-style-type: none"> <li>Our review highlighted the wide-spread use of TasTAFE equipment for personal benefit.</li> <li>There was anecdotal evidence of a staff member using work time to carry out work for personal benefit.</li> <li>There was anecdotal evidence of teachers requesting personal work to be completed.</li> <li>Our review of conflicts of interest found that there was insufficient action taken to mitigate risks of secondary employment blurring with TasTAFE employment.</li> </ul>
<ul style="list-style-type: none"> <li>Misuse of position, including to enable illegal activity, induce another public official to act inappropriately etc.</li> </ul>	<ul style="list-style-type: none"> <li>Assessment.</li> <li>Procurement of goods and services.</li> <li>Recruitment and promotions.</li> <li>Complaints handling including academic misconduct.</li> <li>Secondary employment.</li> </ul>	<ul style="list-style-type: none"> <li>Use of position to obtain a benefit for the public official or another person.</li> <li>Threatening to use public official's position to inflict negative consequences if a person does not comply with public official's (inappropriate) request.</li> </ul>	<ul style="list-style-type: none"> <li>Our review into conflicts of interest noted an instance where an employee was potentially issuing invoices through their secondary business at the same time as claiming additional wages and allowances. The invoices were approved by management.</li> </ul>

## 2.2 Gifts, Benefits and Hospitality Flowchart

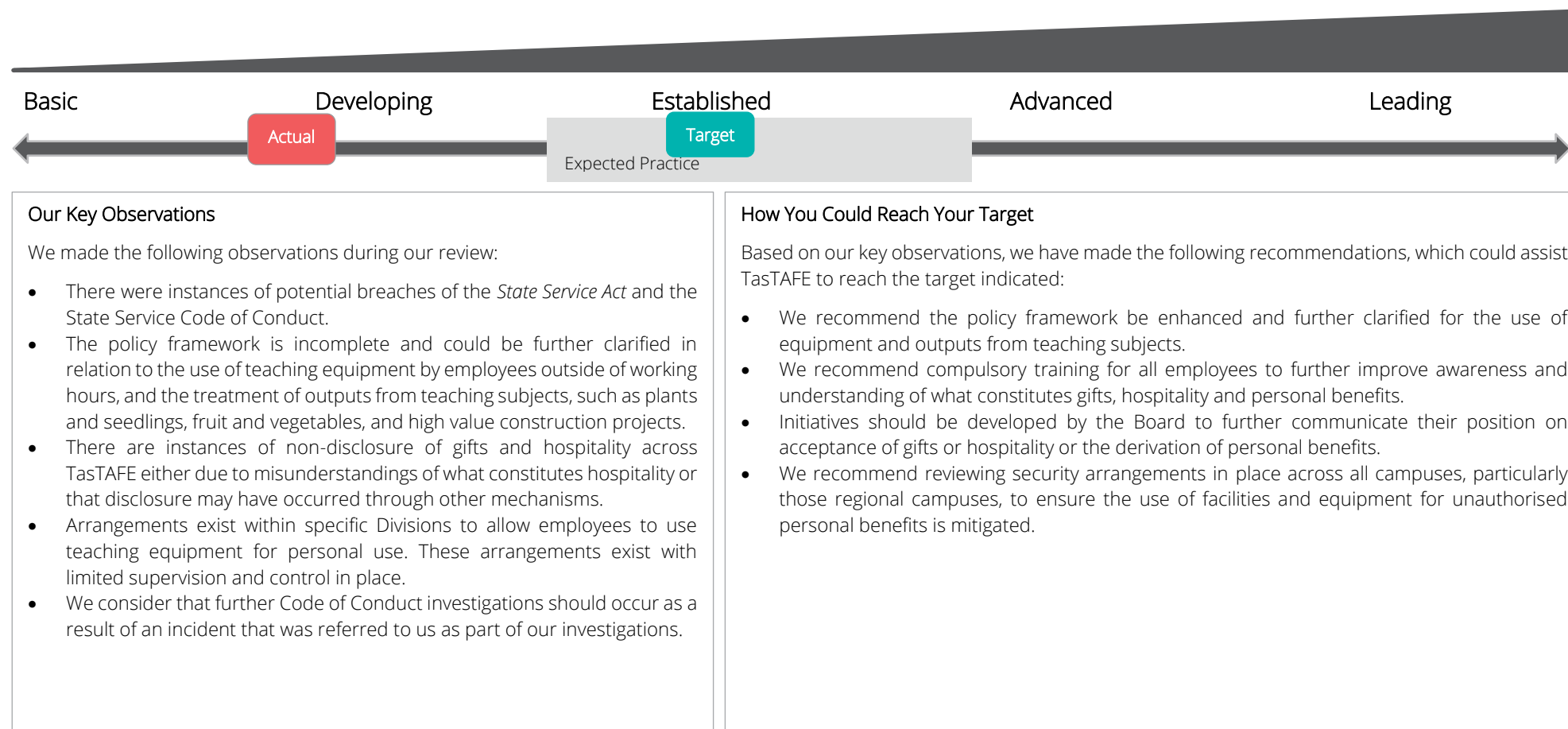
It is best practice for public sector employees to decline gifts or benefits. However, in limited circumstances it may be appropriate to consider acceptance of personal benefits. The following Integrity Commission flowchart provides a best practice guide in relation to gifts, benefits and hospitality for State Service employees. We have used this flowchart to benchmark current TasTAFE processes and controls:



### 3 Summary of Findings

#### 3.1 Process Maturity Assessment

Based on our review of the personal benefits policies and procedures within TasTAFE, we have assessed the maturity of the internal control and governance framework as follows:



## 4 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided findings in three (3) sections:

- Governance and Policy
- Breaches to the Legislative Framework
- Internal controls

Overall, the findings of this report highlight significant opportunities to enhance the control and governance framework surrounding gifts, hospitality and personal benefits within TasTAFE. The issues highlighted by the Integrity Commission report have been confirmed by this audit, particularly in relation to the unauthorised conferral of personal benefits. The interviews conducted across regional campuses demonstrated an awareness of the existence of policies and procedures however, we noted a general lack of understanding of the applicability of the TasTAFE policy framework in relation to gifts, hospitality and personal benefits.

As this report suggests, further work is required to enhance and reinforce the internal control and governance structure surrounding gifts, hospitality and personal benefits and to re-establish expected behaviours.

## 4.1 Governance and Policy

Major Findings				
Ref	Description	Details	Recommendations	Management Comment
4.1.1	Policy	<p>TasTAFE have policies and procedures in place in relation to personal benefits including the "Gifts, Benefits and Hospitality Policy 26 May 2017" and accompanying "Gifts, Benefits and Hospitality Procedure 1 February 2017". We have reviewed these documents and noted that they are consistent with the requirements of the Treasurer's Instruction in relation to the acceptance of gifts, benefits and hospitality and the Whole of Government policy issued by the Department of Premier and Cabinet.</p> <p>We noted the following omissions to the policy framework that are applicable to the operations of TasTAFE:</p> <ul style="list-style-type: none"> <li>• specific reference to the use of TasTAFE resources and equipment for personal gain;</li> <li>• guidance in relation to the use of outputs from course projects, such as construction projects or horticulture projects.</li> </ul> <p>These two areas of personal benefit arose in interviews with TasTAFE employees. Employees noted that it is common practice for staff to derive personal gain from the use of TasTAFE equipment both on and off campus, noting several instances where employees had borrowed equipment to complete personal projects. This was particularly evident in the areas of:</p> <ul style="list-style-type: none"> <li>• Construction and Furniture; and</li> <li>• Allied Trades and Automotive.</li> </ul> <p>Staff also indicated they did not have clear policy guidance in relation to outputs from course projects for example for fruit from trees, seedlings and goods created from carpentry projects. In these areas, it was not determined who the outputs should be made available to, for example should it be offered outside of TasTAFE and what, if any, pricing structure would apply.</p> <p>We did note that Hair and Beauty had developed a transparent pricing structure for services offered within the unit. It was also part of the curriculum to charge clients and handle cash or cards as a form of payment for the services.</p>	<p>We recommend that a review of the policy framework is conducted to ensure reference to the use of TasTAFE resources for personal benefit is included.</p> <p>We also recommend implementing a consistent approach for the use of equipment and the availability of outputs from student courses (for example, fruit and vegetables, seedlings and plants, or construction projects), if that is deemed appropriate.</p>	<p>Management agrees with these recommendations. A revised policy framework dealing with these issues will be developed.</p>

Major Findings				
Ref	Description	Details	Recommendations	Management Comment
4.1.2	Policy Interpretation	<p>During our interviews we noted that there was widespread awareness of the existence of policies and procedures in relation to personal benefits.</p> <p>We also noted however that the policies and procedures were interpreted in different ways across different divisions. Education Managers have implemented processes, such as informal email declarations and equipment loan books, designed to address the requirements of the TasTAFE policy. These informal arrangements have meant that declarations have not been logged centrally.</p> <p>This finding is further supported by the number of disclosures logged on the gifts and hospitality registry. We reviewed the TasTAFE Gifts Register as part of our investigation and noted that between December 2014 and February 2017 only eight (8) gifts have been declared.</p>	We recommend reiterating the requirement to complete a declaration for gifts and benefits in accordance with policy and for them to be logged centrally.	Management agrees with this recommendation. Staff will be reminded of the need to declare potential and existing conflicts of interest.
4.1.3	Training and Support	<p>Based on our discussions, we found that there is currently no ongoing training or professional development provided to staff in relation to ethical conduct, including treatment of gifts or hospitality and personal benefits.</p> <p>As a result, and in line with the findings of the Integrity Commission's Report No. 1 of 2015, <i>An Own Motion Investigation into Policies, Practices and Procedures Relating to Receiving and Declaring of Gifts and Benefits in the Tasmanian State Service</i>, we noted that there was a general misunderstanding regarding what constituted gifts and benefits.</p> <p>For example, we were informed of an employee's attendance at an event for which their ticket and meal was provided by the organiser. The employee was unaware that this would constitute hospitality that would fall within the policy. The employee had felt that he had declared the hospitality in a travel form signed and approved by their manager. As a result, this example of hospitality was not reported or recorded centrally.</p>	We recommend ongoing ethical training is provided to staff. This training should incorporate TasTAFE's expectations in relation to gifts and personal benefits, with a particular focus on the use of TasTAFE resources.	Management agrees with this recommendation. A training program is currently being designed and implemented around ethical decision-making in the context of being a TasTAFE, and more widely a Tasmanian State Service employee.

Major Findings				
Ref	Description	Details	Recommendations	Management Comment
4.1.4	System prompts	During our discussion with employees they considered that there were not enough prompts within the manual and electronic corporate systems to remind staff of their obligations in relation to reporting personal benefits. We were informed that there were previously annual reminders sent to staff to advise them of the necessity to declare gifts and benefits in accordance with policy.	It is recommended that employees are reminded of their obligations in managing gifts and benefits at least on an annual basis. Obligations can also be reinforced by managers during performance review discussions and team meetings.	Management agrees with this recommendation. The CEO will remind staff of their obligations in this area through the staff newsletter, and it will also be included in the training program mentioned above.
4.1.5	Culture and Leadership	<p>The organisational structure of TasTAFE requires Divisional and Education Managers to oversee teams over a number of regions. As such, Managers rely on the trust and confidence in their staff to abide by the policies and procedures in place. The lack of physical presence of management in the regional areas increases the risk that inappropriate behaviour may go undetected.</p> <p>We are aware that a senior manager had arrangements with employees across the TasTAFE campuses to derive personal benefit. Managers had commented regarding the inability to detect arrangements the senior manager had in place to derive personal benefit within their divisions. It was also of concern to them that employees had not escalated any arrangements deemed inappropriate.</p> <p>Where staff are requested by senior management to provide personal benefits it places them in an awkward position where they may feel obliged to appease due to implications regarding their on-going employment. Such actions by persons in senior management also contributed to a culture where the taking of personal benefits may have been seen as permissible by some employees.</p>	<p>We are aware of changes that have been instigated as a result of the Integrity Commission's report into TasTAFE regarding structural change and we support that work.</p> <p>We recommend further initiatives are developed for the constant communications to staff regarding expectations, particularly for the use of TasTAFE equipment where benefits are still being derived across campuses. This could be in line with the Integrity Commissions "thanks is enough" strategy.</p> <p>Also, we note that whistleblowing processes need formalising to protect staff if they have an issue that they need to escalate without fear or favour.</p>	Management agrees with this recommendation. This will be considered as part of a wider review of the current TasTAFE organisational structure.

Major Findings				
Ref	Description	Details	Recommendations	Management Comment
4.1.6	Security of Resources	<p>During our site visits we noted that generally the security of the TasTAFE campuses was poor, particularly in remote regions. We noted high value TasTAFE equipment that was not sufficiently locked away and was accessible to all staff and students. We noted a number of areas we were escorted through were not manned in breaks and garage doors were left open.</p> <p>In one location, timber that did not belong to TasTAFE was noted. It was clear the timber had been cut using industrial machinery on-site. This example demonstrates the ability for staff, students or members of the public to access and use equipment without authority to do so. There are insufficient controls in place to prevent unauthorised access.</p> <p>This review also noted the inappropriate use of TasTAFE facilities outside of work hours. In this instance, out of hours access to buildings for all staff members was removed to stop use of the equipment and office space for personal gain.</p> <p>While all main buildings are secured by an alarm system after hours, Education Managers confirmed that they do not review security reports in order to identify unauthorised access and rely on security to inform them of out of hours or weekend use. We confirmed that one-off reports are available from Chubb, who provide security services.</p>	<p>We recommend reviewing security measures in place across TasTAFE campuses, particularly those in remote regions.</p> <p>In addition, we recommend ensuring that all store areas are locked when equipment is not in use.</p> <p>We recommend consideration of the provision of monitoring reports of out of hours use to managers on a regular basis.</p>	Management agrees with these recommendations and will progress implementation.

## 4.2 Breach of Gifts, Benefits and Hospitality Policy

**Description of Issue:** Based on the information we received during our review, we observed potential breaches to both the *State Service Act 2000* and State Service Code of Conduct.

This was due to the following matter:

1. An allegation of falsifying student assessment documents and forging signatures. Evidence of this was referred to the Police to investigate the matter. The Police recommended an internal code of conduct review or internal sanction for the employee, however the internal investigation did not occur.

Our analysis of the information available found the following potential breaches:

- *State Service Act 2000*
- State Service Code of Conduct
- TasTAFE Gifts, Benefits and Hospitality Policy

**Discussion:**

The instance noted indicated that personal benefits were being derived by a senior manager through the use of the relevant employee's time, use of equipment and use of the facilities. Where this occurs, it does not allow the senior manager to then act impartially in decisions regarding an employee's behaviour.

Senior management play an important role in establishing and embedding an ethical workforce, and ensuring poor ethical behaviour is reviewed or investigated, enforcing sanctions and providing feedback to the workforce that unethical behaviour will not be tolerated. Where there does not occur, it creates a culture that allows unethical behaviour to continue and potentially escalate.

**Recommendation:**

We recommend further investigation take place through TasTAFE's internal conduct review procedures in relation to the example we identified.

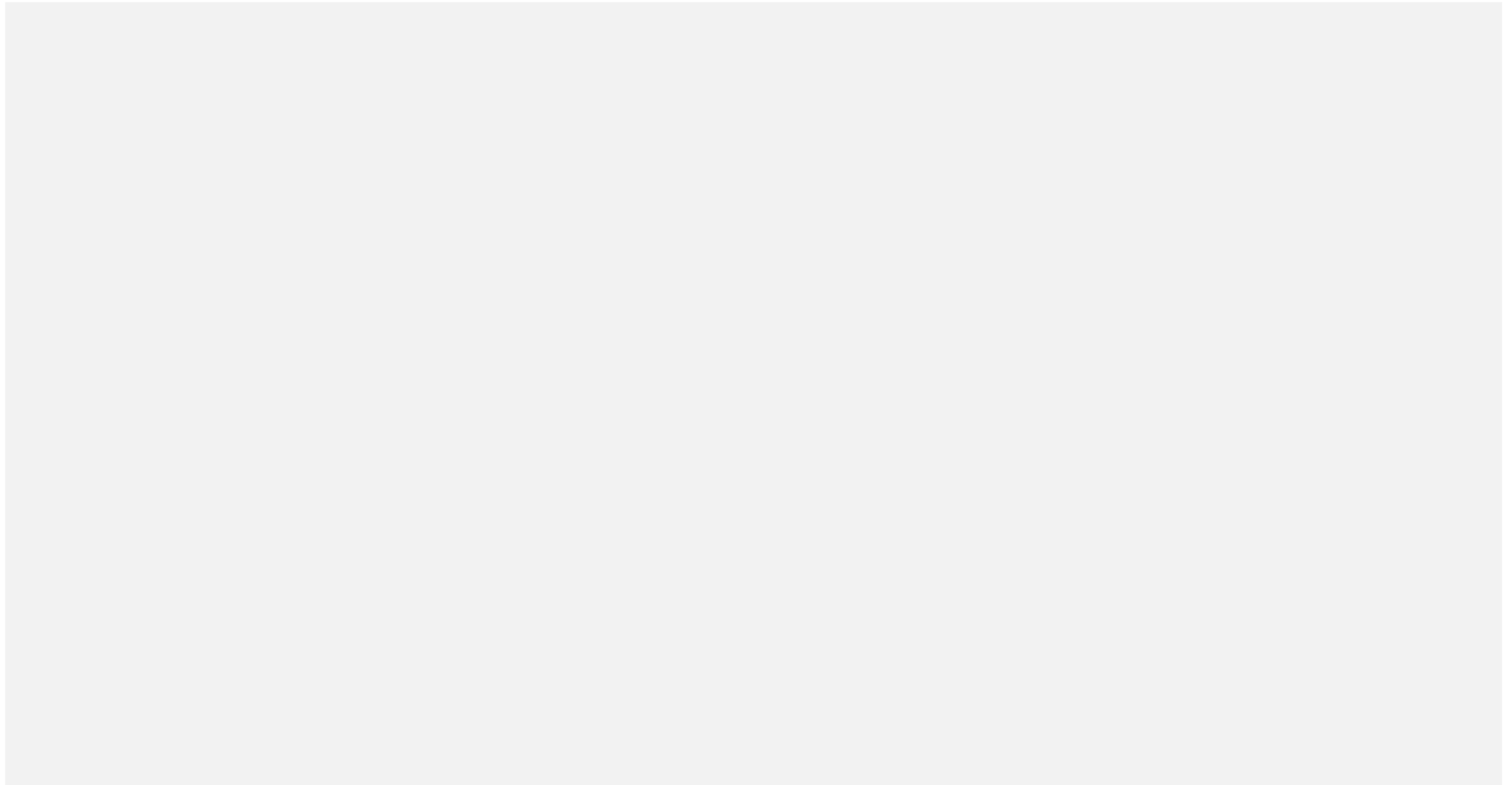
We recommend recording gifts, hospitality and benefits and any relevant breaches of the policy be maintained and reported through to the Executive to ensure they are appropriately addressed.

<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.
<b>Risk Type:</b>	Compliance  Internal Control  Governance
<b>Management Comment:</b>	Management agrees with these recommendations and will progress implementation.

## 4.3 Internal Controls

<p><b>Description of Issue:</b> Our review of the gifts and hospitality policy and process indicates that the gifts and hospitality register is not a complete list of gifts and hospitality offered and accepted across the agency. A number of employees we interviewed noted that they had felt they had made declarations to their managers through other mechanisms such as travel approval forms.</p> <p>Also, we noted that there are various registers to manage the use of equipment by staff across the TasTAFE campuses. These arrangements are in place at the discretion of Education Managers due to the current policy framework being silent on the matters of personal use of TasTAFE equipment. These registers are not reviewed outside of the Division they relate to. We found that Education Managers had stipulated through email correspondence to staff what equipment was available for use, and there was no personal benefit to be gained from use of the equipment. Our review did not consider the use of office equipment where separate policies exist.</p> <p>For example, it was specifically stated on a register that certain items, including a high value item worth approximately \$10-15K, were not to be used. We noted however the use of these items on the register. We also noted on many of the registers frequent use of the same piece of equipment by the same employee and some pieces of equipment were loaned for more than a night.</p> <p><b>Discussion:</b> Allowing use of equipment by TasTAFE staff may result in additional wear and tear and may result in the equipment being unavailable for students. If the equipment is damaged TasTAFE would incur additional costs to restore the item. A number of employees have secondary employment as part of maintaining their currency in their field of teaching. In these circumstances it is difficult for managers to ensure that the equipment is not being used to derive personal benefit, i.e. through use in the secondary employment. This is particularly the case where the equipment is used off premises. Where personal use of equipment is deemed allowable it requires management oversight and review of registers. Where registers are not reviewed, or equipment inspected upon return, pieces of equipment may go missing or may not be returned to the same quality.</p> <p>The provision of equipment to some teaching staff and not to others also presents inequality across the Divisions. Some teaching staff do not have access to equipment that would be of use to them in their private capacity. However, we note that the loan of equipment usually was restricted to those employees who were located within the applicable Division.</p>	<table> <tr> <td data-bbox="1514 272 1659 549"><b>Risk Rating:</b></td><td data-bbox="1659 272 2096 549"> <p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p> </td></tr> <tr> <td data-bbox="1514 549 1659 1091"><b>Risk Type:</b></td><td data-bbox="1659 549 2096 1091"> <p>Compliance</p> <p>Internal Control</p> <p>Governance</p> </td></tr> </table>	<b>Risk Rating:</b>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>	<b>Risk Type:</b>	<p>Compliance</p> <p>Internal Control</p> <p>Governance</p>
<b>Risk Rating:</b>	<p><b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>				
<b>Risk Type:</b>	<p>Compliance</p> <p>Internal Control</p> <p>Governance</p>				
<p><b>Recommendation:</b></p> <p>We recommend processes for the declaration of gifts and hospitality are further improved. Managers should play a role in ensuring gifts and hospitality are identified especially where they may be disclosed through other processes. It is recommended that employees are reminded of their obligations in reporting gifts and benefits at least on an annual basis. Obligations can also be reinforced by managers during performance review discussions and team meetings. We recommend that TasTAFE develops a policy position in relation to the use of equipment that can be consistently applied across all Divisions. Due to the ambiguity and difficulty in achieving a consistent approach, we suggest management consider a policy position where there is no personal use of high-value portable equipment.</p>	<p><b>Management Comment:</b></p> <p>Management agrees with these recommendations and will progress implementation.</p>				

## 5 Appendices



## 5.1 Approach

The following outlines our approach to fulfilling the scope of the investigative project:

- Conducted a review of current policies and procedures in place and comment on the adequacy of these documents with regards to currency and availability to staff;
- Performed a risk assessment to identify areas of TasTAFE's operations where there is or may be a higher risk of inappropriate gifts, benefits or use of TasTAFE resources and information;
- Met with key staff responsible for the management of gifts and benefits, to gain an understanding of current practice, including a sample of staff from across TasTAFE within the divisions identified;
- Reviewed declared gifts and benefits to test level of compliance with policy framework;
- Met with key staff to discuss and validate findings and address further questions.




## 5.2 Site Visits

To complete the review, we conducted site visits across all regional areas. The areas we reviewed were the following:

Region	Division	Team
Burnie	Construction NW	Construction N/NW, Mining and Furniture NW
	Health Services NW	Health, Aged & Disability Northwest, Dental Statewide
	Automotive (Mechanical)	Automotive & Motorbody Statewide
Devonport	Automotive (Motorbody)	Automotive & Motorbody Statewide
	Plumbing NW	Plumbing, Refrigeration and Metals South
	Drysdale NW	Drysdale, Tour Guiding and Fitness NW
Alanvale	Auto North	Automotive & Motorbody Statewide
	Construction North	Construction N/NW, Mining and Furniture NW
	Metals North	Metals N/NW
	Electrotechnology North	Instrumentation & Electrotechnology
	Creative Industries North	Creative Industries North/Northwest
Drysdale North	Drysdale North	Drysdale and Viticulture North
Bender Drive and Claremont	Metals South	Plumbing, Refrigeration and Metals South
	Plumbing & Refrigeration	Plumbing, Refrigeration and Metals South
Clarence	Construction South	Construction South and Allied Trades Statewide
	Built Environment & Engineering	Built Environment & Engineering South
	Primary Industries South	Primary Industries & Science South
Campbell and Hunter Streets	Hair & Beauty South	Hair & Beauty Statewide
	Creative Industries (Textiles) (South)	Creative Industries South

### 5.3 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management. A high risk of financial loss, impairment of operations or misrepresentation of financial or operational results.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigation Project 5 –  
Conflicts of Interest  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Legislative and best practice frameworks.....	5
5	Detailed Findings and Recommendations.....	6
5.1	Governance and Policy.....	8
5.2	Possible Breaches of Legislative Framework .....	11
5.3	Internal Controls.....	12
6	Appendices .....	13
6.1	Approach .....	14
6.2	Site Visits.....	15
6.3	Risk Rating Criteria.....	16

# 1 Executive Summary

## Our Focus

The scope of this project was to perform an investigative project into the control framework surrounding the management of conflict of interests across the organisation.

## What is Working Well

We found the following elements are working well:

- There are a number of policy documents available to staff through the intranet.
- A conflict of interest (COI) form exists that is comprehensive and references the *State Service Act* and Code of Conduct.
- Processes exist centrally (Employee Relations) to review COI forms and to agree a suitable course of action for the declared conflict.
- There was evidence that employees had made COI declarations in the timeframe under review, and therefore there was a basic understanding of what was required.
- A central team is available (Employee Relations) for the provision of assistance and guidance for the Divisions.

## Findings

### High

We noted potential breaches to the *State Service Act 2000* and the Treasurer's Instructions (TIs).

We found 2 high risk findings in relation to conflicts of interest:

- Breaches of the legislative framework; and
- Lack of internal controls in place to prevent and detect conflict of interest arrangements.

We also made five (5) observations and recommendations in relation to governance and policy matters related to the conflict of interest framework.

## Our Recommendations

We identified opportunities for improvement and have made the following recommendations:

- We recommend TasTAFE considers undertaking Code of Conduct investigations for the examples identified in the possible breaches of the legislative framework.
- We recommend that the policy framework be enhanced.
- We recommend a compulsory training course be undertaken across TasTAFE as a way of improving awareness and reiterating officer and employee responsibilities to declare conflicts of interests and partake in ethical behaviour.
- Initiatives such as an annual declaration process may be a way for the Board to gain assurance that all conflicts of interests have been identified. The process may also be a way of capturing those relationships that may have changed since an employee started with TasTAFE.
- We recommend all conflict of interest declarations are reviewed by an independent source and there is transparency in the action taken, particularly where arrangements can impact a number of Divisions.

## 2 Context, Background and Scope

### Context and Background

WLF Accounting & Advisory (WLF) have been appointed by TasTAFE as their internal auditors to perform an investigative project into the control framework surrounding conflicts of interest across the agency. The recent Integrity Commission report, *'An investigation into a complaint of an alleged conflict of interest against senior executive officers of TasTAFE'* (Report No. 2 of 2017), made a number of findings relating to recruitment and other situations where conflicts of interest arose but were not adequately disclosed and/or managed.

The purpose of this investigative project was to review the TasTAFE governance framework surrounding conflicts of interest in light of the Integrity Commission's findings. This project has a particular focus on the processes within TasTAFE for identifying, disclosing, managing and monitoring conflicts of interest. TasTAFE has identified the following activities as areas where the risks of conflict of interest are highest:

- Procurement;
- Contract management;
- Recruitment and selection;
- Assessment of teachers for qualifications and competency; and
- Student assessments.

WLF is also conducting concurrent projects in relation to gifts and benefits and procurement and contracting. It is anticipated that there will be some overlap between these projects. Where such overlap occurs, it is acknowledged in this report.

### Scope

Specifically, the scope of this review was to review the governance structure, processes, internal control environment and declaration processes surrounding conflicts of interest within TasTAFE, and where possible, assess the level of compliance with the policy framework relevant to conflicts of interest. In particular, we assessed practices in the following areas:

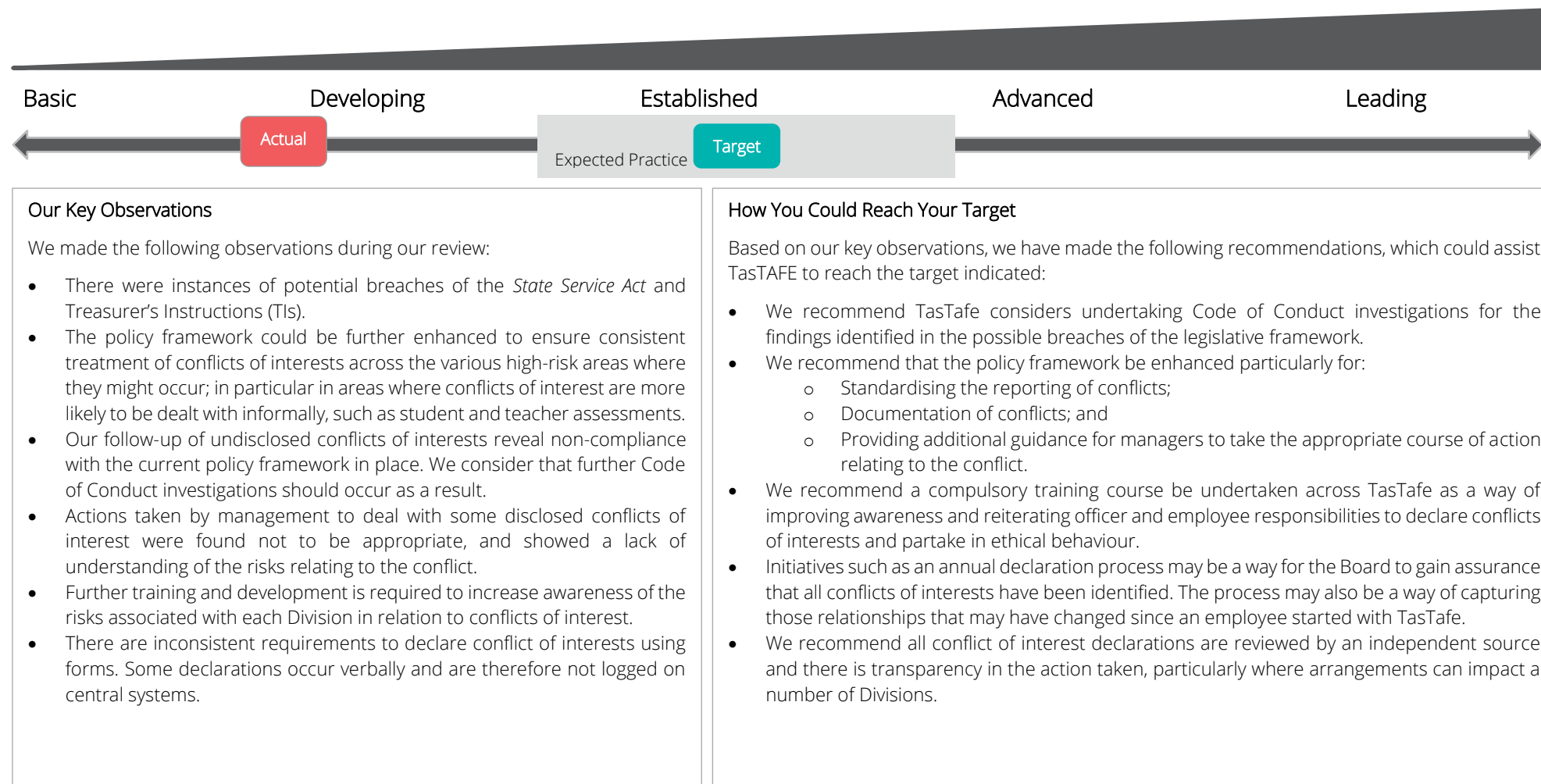
- Controls in place to identify conflict of interest;
- Disclosure processes;
- Management of conflicts; and
- Monitoring of identified conflicts of interest.

We also benchmarked TasTAFE's process surrounding conflict of interest against best practice controls.

### 3 Summary of Findings

#### 3.1 Process Maturity Assessment

Based on our review of conflicts of interests within TasTAFE, we have assessed the maturity of the internal control and governance framework as follows:



## 4 Legislative and best practice frameworks

The following provisions of the Code of Conduct are of particular relevance to this review:

- Section 9(8): *An employee must disclose, and take reasonable steps to avoid, any conflict of interest in connection with the employee's State Service employment.*
- Section 9(11): *An employee must not make improper use of – (a) information gained in the course of his or her employment; or (b) the employee's duties, status, power or authority – in order to gain, or seek to gain, a gift, benefit or advantage for the employee or for any other person.*

The TasTAFE conflict of interest policy outlines the appropriate process to be undertaken in the event of an officer or an employee having actual, perceived or potential conflict of interest in either the workplace or outside. TasTAFE's policy framework in relation to conflicts of interest includes:

- TasTAFE Conflict of Interest Policy;
- TasTAFE Quality Assurance System Conflict of Interest Procedure;
- TasTAFE Conflict of Interest in Assessment Checklist and Management Plan form
- TasTAFE Gifts, Benefits and Hospitality Policy and Procedure; and
- TasTAFE Selection Procedure (Selection Panel member conflicts of interest in recruitment processes).

These documents relevantly refer to the following legislative and statutory requirements:

- *State Service Act 2000*;
- State Service Principles;
- Treasurer's Instruction No. 1101, Procurement Principles: Goods and Services; and
- Employment Direction No. 8, Gifts and Benefits (no longer in force).

To identify specific risk areas and good practice benchmarks, we also examined the Integrity Commission's report into TasTAFE ("the Integrity Commission TasTAFE Report"), another recent Integrity Commission report, *An Own Motion Investigation into Policies, Practices and Procedures Relating to Receiving and Declaring of Gifts and Benefits in the Tasmanian State Service* (Report No. 1 of 2015) ("Integrity Commission Gifts and Benefits Report") and the Integrity Commission's guidance material about integrity risk areas in Tasmanian State Service agencies. We also reviewed relevant reports from integrity bodies in NSW and Victoria.

## 5 Detailed Findings and Recommendations

Overall, the findings of this report highlight significant opportunities to enhance the control and governance framework surrounding conflicts of interest. Our assessment of the following high-risk areas indicates that there is a policy framework in place, however the processes for making declarations are not sufficiently embedded within TasTAFE:

High Risk Area	TasTAFE Findings	Required practice
Procurement	<p>A conflict of interest procedure exists.</p> <p>In our sample of contracts (20%) there had been no conflict of interest forms obtained relating to the procurement exercises undertaken.</p> <p>Note: there are limited procurement exercises undertaken at TasTAFE each year due to the tendency to use credit cards as a form of payment. Please see the findings of the Project 6 report.</p> <p>Based on the findings of this audit, there is a lack of understanding regarding open and effective competition alongside conflicts of interest issues.</p>	Agencies must develop and maintain a process for the recording of conflict of interest declarations.
Contract Management	Due to the lack of contracts in place across TasTAFE (25 in total) there is also no evidence of contract management being undertaken. As a result, we could not evidence conflict of interest processes in place.	Agencies must develop and maintain a process for the recording of conflict of interest declarations.
Recruitment and Selection	<p>A conflict of interest procedure relating to recruitment exists.</p> <p>During our separate audit regarding recruitment and selection, we found that there was a lack of positive confirmation regarding any conflicts of interests during all stages of the recruitment process. We also noted that where conflicts had been declared there was no documentation on the action taken to address the risks raised through the declaration.</p>	Agencies should ensure that processes to record and manage conflicts of interest are understood and embedded.
Assessment of teachers for qualifications and competency	<p>A conflict of interest procedure exists. The policy does not require a conflict of interest form but rather requires that the Education Manager must confirm that the process has been complied with when signing the qualification checklist. The confirmation process does not require recording of action taken.</p> <p>From our discussions with staff the policy was not referred to. Staff discussed arrangements for ensuring conflicts of interest for teacher assessments were undertaken informally. This was mostly through the use of other regional teams carrying out assessments or having an industry representative or external assessor present. The action taken was not documented.</p>	Agencies must develop and maintain a process for the recording of conflict of interest declarations. There should be a consistent process for confirming action to address known conflicts.

High Risk Area	TasTAFE Findings	Required practice
Student Assessments	<p>A conflict of interest procedure exists. A checklist for declarations of interests is included within the student administration system. A manual process existed prior to the automated system in use.</p> <p>The process does not require reporting of the action taken to any level above Education Manager.</p> <p>From our discussions with staff, known conflicts of interests are usually discussed informally and alternative arrangements put in place.</p>	Agencies must develop and maintain a process for the recording of conflict of interest declarations. There should be a consistent process for confirming action to address known conflicts.

The following tables outline our detailed findings and recommendations. We have provided our findings in three (3) sections:

- Governance and policy
- Breaches of the Treasurer's Instructions (TIs) and legislative framework
- Internal controls

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.1	Policy	<p>TasTAFE's policy framework in relation to conflicts of interest includes:</p> <ul style="list-style-type: none"> <li>• TasTAFE Conflict of Interest Policy;</li> <li>• TasTAFE Quality Assurance System Conflict of Interest Procedure;</li> <li>• TasTAFE Conflict of Interest in Assessment Checklist and Management Plan form;</li> <li>• TasTAFE Gifts, Benefits and Hospitality Policy and Procedure; and</li> <li>• TasTAFE Selection Procedure (Selection Panel member conflicts of interest in recruitment processes).</li> </ul> <p>The existence of several documents can be confusing for those required to manage a conflict or determine whether a conflict exists.</p> <p>The policy could further explain what an actual conflict of interest is and a perceived conflict of interest and stipulating that they should all be formally recorded in terms of action taken.</p> <p>The policy does not clearly outline the practical steps that should occur where a conflict of interest arises. For example, the "Quality Assessment System" refers to a meeting note however the general policy requires completion of the conflict of interest declaration. The level of documentation differs across different scenarios applicable to the type of assessment – teacher or student. There is no reporting structure above Education Manager for dealing with these instances.</p>	<p>We recommend having an overarching policy document that is consistent with its requirements for recording a declaration of interest.</p> <p>We recommend TasTAFE considers a central repository of all conflicts of interest be mandatory for all types of conflicts, or requires reporting on a regular basis from Education and Divisional Managers.</p> <p>The Integrity Commission has developed a conflict of interest risk management flowchart which details the strategies to be employed depending on the risk of the interest declared. We recommend implementing similar guidance within TasTAFE.</p>	<p>Management agrees with these recommendations and will progress implementation.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.2	Operational Arrangements	<p>Through discussions we became aware of operational arrangements to discuss conflicts of interests and the action discussed to resolve them. As discussed at section 5.1.1 this is permissible according to the policy.</p> <p>As a result, there were minimum records available detailing conflicts of interests. Over the period of time we reviewed, we were provided with three (3) conflict of interest forms that were held centrally.</p> <p>From our findings, we are of the view that the understanding of what constitutes a conflict of interest and also what action may be appropriate is weak.</p>	We recommend all discussions regarding conflicts of interest are formally documented with a view of protecting the interests of the employee and management decision making.	Management agrees with this recommendation and will incorporate actions into a review of the current policy and procedure.
5.1.3	Oversight and reporting	<p>Through our discussions with Education Managers across TasTAFE, the majority of conflicts of interests identified involved verbal discussions in respect of:</p> <ul style="list-style-type: none"> <li>• Teacher assessments</li> <li>• Student assessments</li> <li>• Employment outside of TasTAFE</li> </ul> <p>Due to the lack of reporting of conflicts of interests where they were discussed informally, there was minimal reporting and knowledge of known conflicts of interests across TasTAFE.</p> <p>As a result, the Executive would have had little opportunity to review the action taken and determine that it was appropriate in the circumstances provided. Also, the Executive does not have the ability to ensure that managers are being consistent in their treatment of conflicts of interest.</p> <p>In our view, there were some arrangements in place to manage conflicts that should have had additional action and protocols determined as a result of declarations made.</p>	<p>We recommend the policy framework is further enhanced by providing examples of conflicts of interests and also what would be considered appropriate course of action.</p> <p>We recommend regular reporting of conflict of interest matters through the Executive.</p>	Management agrees with this recommendation and will incorporate actions into a review of the current policy and procedure.

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.4	Training and Development	<p>Through our discussions with Division Managers and Education Managers the level of training and development to support a compliant culture was minimal. Further, we found that induction did not necessarily deal with ethical conduct, which was a risk where employees were recruited outside of the public sector.</p> <p>Anecdotally, managers considered the relationship TasTAFE required with the private sector and alongside bodies such as the University of Tasmania provided confusion to employees on expectations for TasTAFE employees. The lack of continual training and support for remaining ethical as a public-sector officer/employee had meant that conflicts of interest were not always considered at an appropriate time or at all.</p>	We recommend that TasTAFE considers a cost-effective way of ensuring officers and employees remain up to date with their ethical requirements. This could be by way of an annual e-learning tool to reiterate and consider ethical scenarios.	Management agrees with this recommendation. A training program is currently being designed and implemented around ethical decision-making in the context of being a TasTAFE, and more widely a Tasmanian State Service employee.
5.1.5	Systems – manual and electronic	<p>Generally, those staff we interviewed consistently commented regarding the lack of prompts to remind staff to make declarations. Whilst it is noted that the Code of Conduct is signed at the start of employment, employees do not actively consider conflicts throughout the year.</p> <p>Many managers considered that employees had made declarations of outside employment arrangements through their CV submitted at the time of recruitment and selection. However, we note that a log is not kept of these arrangements in any Division and reassessed each year on the basis of risks or changed circumstances.</p> <p>Through our discussions we were advised of a teacher being assigned to their son's business to assess his apprentice. The teacher did not disclose this interest and it was found through general discussions with other staff. The manager subsequently reassigned the apprentice to another teacher.</p>	<p>We recommend TasTAFE considers whether a positive confirmation process is adopted annually to ensure employees update their outside arrangements or at the start of each term relating to students assigned for assessment.</p> <p>Management should keep a log of known outside employment arrangements and update regularly.</p>	Management agrees with this recommendation and will incorporate actions into a review of the current policy and procedure.

## Major Findings

### 5.2 Possible Breaches of Legislative Framework

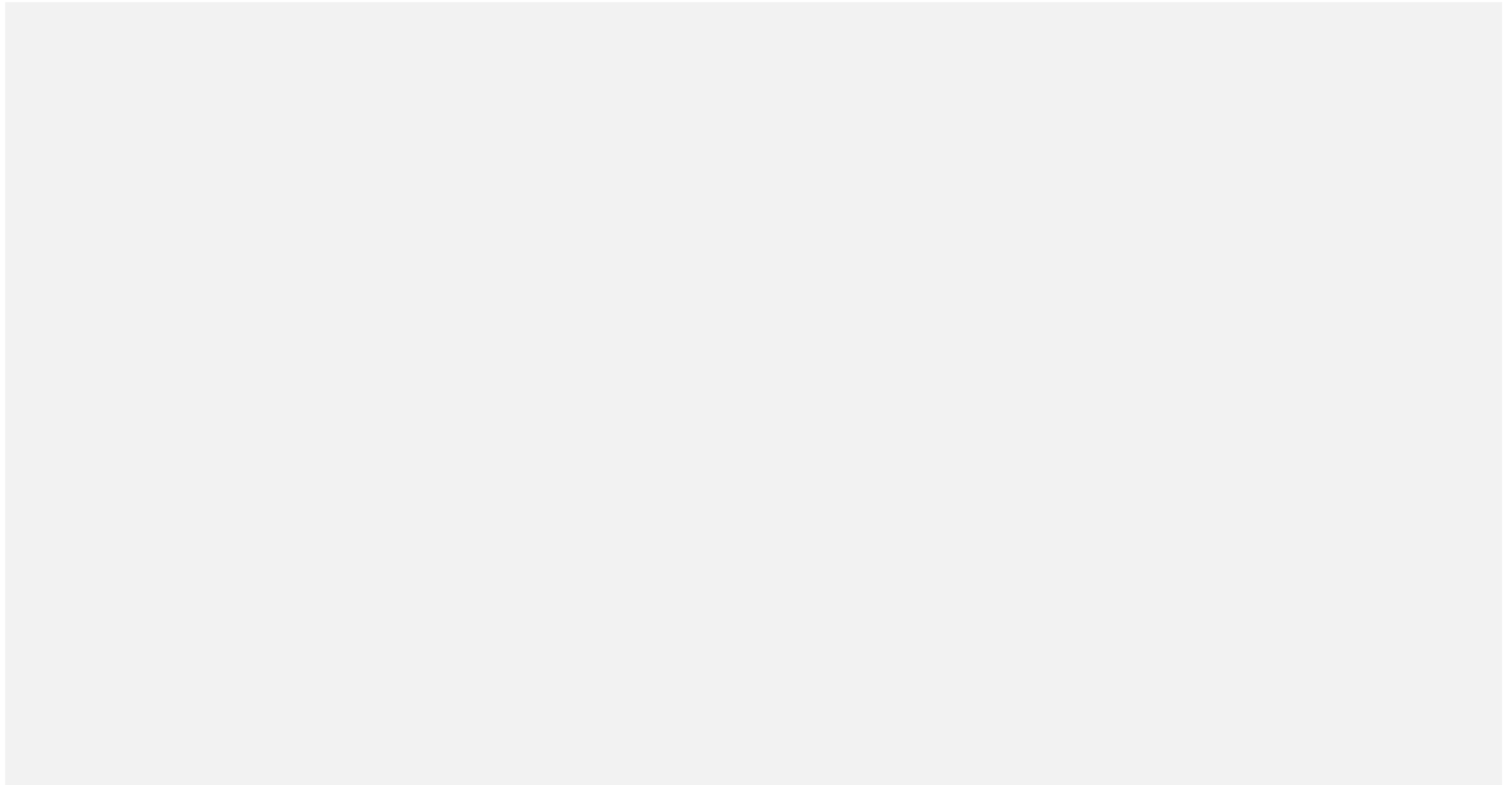
<b>Description of Issue:</b> We observed potential breaches to the <i>State Service Act</i> and Treasurer's Instructions (TIs) in the follow-up of information received during our review:	<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.
<ol style="list-style-type: none"> <li>1. A disclosed conflict of interest dealt with by a manager that had not been reported centrally or formally completed. The employee entered a lease agreement with TasTAFE to lease a personal asset to TasTAFE. The course of action to deal with the conflict of interest did not address the primary risk of secondary employment blurring with TasTAFE employment. The action taken was to ensure the prices received from the company remained competitive.</li> <li>2. An undisclosed conflict of interest involving a TasTAFE employee directing purchases for TasTAFE to their family business.</li> </ol>		
<p>Our analysis of the information available on TasTAFE systems found the following potential breaches:</p> <ul style="list-style-type: none"> <li>• TI 1101 – Procurement Principles</li> <li>• TI 706 – Prepaid expenditure</li> <li>• State Service Act 2000</li> <li>• State Service Code of Conduct</li> </ul> <p><b>Discussion:</b> In the first example, the disclosed conflict of interest was not documented, and an appropriate action determined. Appropriate oversight was not provided by management to ensure there were clear lines drawn for the employee to follow, particularly given the individual was both an employee of TasTAFE and a contractor of TasTAFE. We found instances where the employee has been paid as an employee and invoiced TasTAFE for the same day as a contractor. In accordance with the policy, the matter should have been sent to Employee Relations for advice on handling the conflict and for setting up an appropriate course of action for the employee and management to adhere to. Where a conflict of interest exists that is considered high risk, the Integrity Commission recommends that an impartial third party is used to oversee part or all the process.</p> <p>The second example highlights deficiencies in the purchasing processes to limit potential conflicts of interest. It also highlights the need for clear policies and training for employees in relation to purchasing and procurement.</p>	<b>Risk Type:</b>	Compliance  Internal control  Governance
<b>Recommendation:</b>  We recommend further investigation occurs in respect of these matters.		<b>Management Comment:</b>  Management agrees with this recommendation

## Major Finding

### 5.3 Internal Controls

<p><b>Description of Issue:</b> Our review of the conflict of interest process indicates that the centrally held forms are not a complete list of the known conflicts that exist within TasTAFE.</p> <p>On reviewing the three (3) completed conflict of interest forms, we noted one was signed off by only one manager and a senior manager sign off was not obtained. The form was signed by the Manager and then the review process was also carried out by the same individual. As a result, the COI did not receive an independent review.</p> <p>We are also aware that a number of conflict of interests are dealt with informally rather than documented.</p> <p>Management oversight and diligence in overseeing known conflicts of interest in our view was weak for the example identified above in finding 5.2. In this instance, invoices were not sufficiently detailed or correlated against the employees claims for additional work hours. There was little evidence of oversight or management of the conflict.</p> <p><b>Discussion:</b> Where conflicts are being dealt with in isolation there is a risk that the proposed solution or action to deal with the conflict is inappropriate or inadequate.</p> <p>Our example highlights that the manager involved in the assessment process did not identify all risks to the conflict of interest identified. The manager only assessed that it was important to review rates on an annual basis to ensure TasTAFE was still receiving value for money from the contract entered into with the TasTAFE employee. The action taken did not consider the risks of the employee being paid through his role as an employee and through his role as a contractor simultaneously. The action taken should also have been documented and communicated across TasTAFE, given the contract entered into with the employee was utilised by other Divisions.</p> <p>Where there are not sufficient internal controls or management oversight in contracting arrangements, there is opportunity for fraud and corruption to occur.</p>	<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.
		Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.
	<b>Risk Type:</b>	Compliance Internal control Governance
<p><b>Recommendation:</b> We recommend all conflict of interest declarations are reviewed by an independent source and there is transparency in the action taken, particularly where arrangements can impact a number of Divisions.</p> <p>As recommended in section 5.1 we recommend the policy framework is improved and the requirements under the <i>State Service Act 2000</i> be reiterated to officers and employees.</p>	<p><b>Management Comment:</b></p> <p>Management agrees with these recommendations and will progress implementation.</p>	

## 6 Appendices



## 6.1 Approach

The scope of this review was to review the governance structure, processes, internal control environment and declaration processes surrounding conflicts of interest within TasTAFE, and where possible, assess the level of compliance with the policy framework relevant to conflicts of interest. We assessed practices in the following areas:

- Controls in place to identify conflict of interest;
- Disclosure processes;
- Management of conflicts; and
- Monitoring of identified conflict of interest.

We also benchmarked TasTAFE's process surrounding conflict of interest against best practice controls.

To complete this review, the following audit approach was undertaken:

- Review of current policies and procedures in place to assess and comment on adequacy of these documents with regards to currency and availability to staff;
- Assessment of activities across TasTAFE where the declaration and management of conflicts is imperative to sound decision making;
- Review of a sample of declarations made in these activities and assess processes undertaken to manage perceived conflicts for adequacy;
- Assessment of a sample of decisions made within the identified activities, including meeting with key staff involved in the activity to understand and assess current practice in relation to managing conflicts of interest;
- Meetings with key staff to discuss and validate findings and address further questions;
- Prepare and issue draft report based on the findings for management comment; and
- Issue draft report with management comments to the Audit and Risk Management Committee.

WLF also conducted a concurrent project in relation to personal benefits at TasTAFE. Overlap between the two projects was managed in consultation with TasTAFE. This report and the report on personal benefits acknowledges where any issues identified are consistent between the two projects.




## 6.2 Site Visits

To complete the review, we conducted site visits across all regional areas. The areas we reviewed were the following:

Region	Division	Team
Burnie	Construction NW	Construction N/NW, Mining and Furniture NW
	Health Services NW	Health, Aged & Disability Northwest, Dental Statewide
	Automotive (Mechanical)	Automotive & Motorbody Statewide
Devonport	Automotive (Motorbody)	Automotive & Motorbody Statewide
	Plumbing NW	Plumbing, Refrigeration and Metals South
	Drysdale NW	Drysdale, Tour Guiding and Fitness NW
Alanvale	Auto North	Automotive & Motorbody Statewide
	Construction North	Construction N/NW, Mining and Furniture NW
	Metals North	Metals N/NW
	Electrotechnology North	Instrumentation & Electrotechnology
	Creative Industries North	Creative Industries North/Northwest
Drysdale North	Drysdale North	Drysdale and Viticulture North
Bender Drive and Claremont	Metals South	Plumbing, Refrigeration and Metals South
	Plumbing & Refrigeration	Plumbing, Refrigeration and Metals South
Clarence	Construction South	Construction South and Allied Trades Statewide
	Built Environment & Engineering	Built Environment & Engineering South
	Primary Industries South	Primary Industries & Science South
Campbell and Hunter Streets	Hair & Beauty South	Hair & Beauty Statewide
	Creative Industries (Textiles) (South)	Creative Industries South

## 6.3 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit. These are opportunities for improvement.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigative Project 6 –  
Procurement of Contract and  
Consultancy Services  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context and Background.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Data Analysis .....	5
4.1	Spend by Value.....	5
4.2	Expenditure by Supplier Category .....	6
5	Detailed Findings and Recommendations.....	8
5.1	Governance and Policy.....	9
5.2	Compliance with Treasurer's Instructions .....	12
5.3	Internal Controls.....	13
6	Appendices .....	14
6.1	TI Compliance .....	15
6.1.1	Contracts Register .....	15
6.2	Approach .....	17
6.3	Risk Rating Criteria.....	18

# 1 Executive Summary

## Our Focus

This investigative project assessed practices followed for the procurement of contract and consultancy services within TasTAFE, with focus on the following areas:

- Procurement policies and procedures;
- Procurement strategy and model including level of centralisation and supplier selection;
- Delegations and authorisation; and
- Compliance with the Treasurer's Instructions.

## Findings

### High

There were two high risk findings:

- We noted instances of non-compliance with the Treasurer's Instructions.
- The system of internal control is currently inadequate for ensuring compliance with the TI and procurement framework.

We also made six (6) observations and recommendations in relation to governance and policy matters related to the procurement framework.

## What is Working Well

We found the following elements are working well:

- Contracts were available for each of the contracts selected for testing.
- TasTAFE has commenced formulating a policy for procurement.
- A central resource for procurement and contracts has been recently implemented.
- The intranet is being used as a central location for the procurement standards and the contract register.

## Our Recommendations

We identified opportunities for improvement and have made the following high-level recommendations:

- We would suggest that significant cost management outcomes could be achieved through the implementation of strong purchasing strategies across the organisation. In our view, whole-of-organisation purchasing strategies should be developed.
- We recommend the development of a comprehensive policy for procurement.
- We recommend employees receive ongoing appropriate training to ensure compliance with procurement policies and procedures.
- We recommend that each procurement process is quality assured for compliance purposes. Internal review controls should be implemented prior to the procurement being undertaken to ensure the processes to be adopted are appropriate.
- We recommend that data analysis of expenditure within TasTAFE is utilised at the strategic level to drive procurement strategies within TasTAFE.
- We recommend that the central procurement resource analyses supplier spend and compares the data to information held within the contracts register to ensure accuracy.

## 2 Context and Background

Owned by the Tasmanian Government, TasTAFE operates under the auspices of its own legislative functions and powers, the *Training and Workforce Development Act 2013*, and is governed by an independent Statutory Board which reports to the Minister for Education and Training.

WLF Accounting & Advisory (WLF) have been appointed by TasTAFE, as their internal auditors to perform an investigative project into the control framework surrounding procurement within TasTAFE.

This investigative project will assess practices followed for the procurement of contract and consultancy services within TasTAFE, with focus on the following areas:

- Procurement policies and procedures;
- Procurement strategy and model including level of centralisation and supplier selection;
- Delegations and authorisation; and
- Compliance with the Treasurer's Instructions.

The recent Integrity Commission report 'An investigation into a complaint against senior executive officers of TasTAFE', investigated a number of allegations, of which the expenditure of TasTAFE funds was included. The processes for procurement within TasTAFE are critical to ensure that TasTAFE funds are spent appropriately.

WLF is also conducting concurrent projects in relation to gifts and benefits and conflicts of interest. It is anticipated that there will be some overlap between these projects. Where such overlap occurs, it is acknowledged in this report.

Procurement processes within TasTAFE are governed by Purchasing and Property Treasurer's Instructions Part 11 Goods and Services. The Treasurer's Instructions (TIs) form the basis of compliance for procurement within the public service and will be utilised as the benchmark for this review.

A key requirement of government procurement policy specifies that required processes and authorisation levels for purchases vary according to the monetary value of the purchase being made. The scale of the purchase in monetary terms should be measured over the life of the purchase.

Multiple purchases, of a similar nature, over an extended time, should generally be seen as having a total value based on the cumulative spend. Repeated purchases such as this may move a procurement into higher authorisation level and / or procurement threshold than the individual transaction would suggest. Judgement and advice may be required to determine if this is the case.

TasTAFE's procedures are aligned to monetary thresholds outlined in the TIs:

1. The corporate card should be the preferred procurement method for individual transactions **less than \$2,000**, and is mandatory for all "applicable payments" under \$1,000.
2. Quotation processes **below \$50,000** can be made at the discretion of the agency, with direct sourcing and less formal (but still documented) processes for seeking and accepting quotes being acceptable.
3. Purchases **between \$50,000 and \$250,000** should use a formal Request for Quote (RFQ) or Request for Tender (RFT) process to go to the market.
4. Purchases **over \$250,000** should use a formal Request for Tender (RFT) process to go to the market.

### Scope

The scope of this project was to perform a detailed investigative audit of the systems TasTAFE use to manage the procurement of contract and consultancy services including the governance structures, processes, and internal control environment surrounding procurement.

We assessed the level of compliance with the relevant Treasurer's instructions (TIs) under Part 11 Goods and Services. Specifically, we assessed practices followed in the following areas:

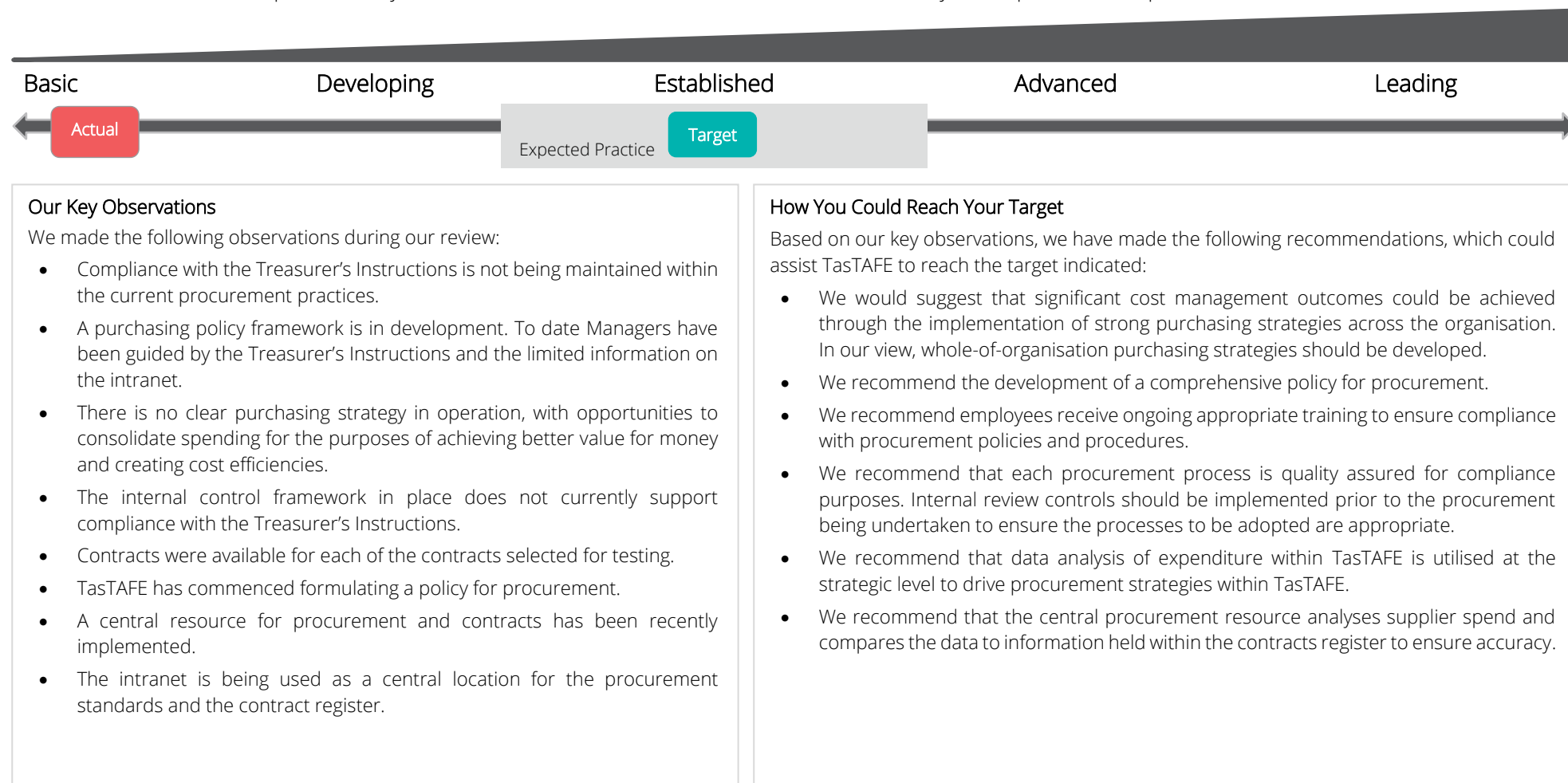
- Selection of the procurement method;
- Tendering or quoting, including selection of the supplier;
- Contracting; and
- Authorisation of purchases and delegations.

Our testing was performed on the supplier's ledger transactions and the contracts register. We considered the completeness of the contracts register by reviewing the annual spend for each supplier to determine those that should be managed through a contract arrangement according to the TIs.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the processes, systems and documentation we have assessed the maturity of the procurement processes as follows:



## 4 Data Analysis

In this section we have analysed purchasing data obtained from TasTAFE with a view to guide our testing, and to assess any trends or patterns in purchasing behaviour where improvements or opportunities could be made.

We utilised data analytic techniques to analyse the full population of procurement transactions, including credit cards, to identify potential breaches of the TIs. We also used the data obtained through this process to guide our selections of suppliers for further analysis. To obtain the data we analysed:

- Dollar value per supplier; and
- Dollar value per supplier category.

### 4.1 Spend by Value

The following options exist under the Treasurer's Instructions (TIs) for contracting purposes:

1. The corporate card should be the preferred procurement method for individual transactions less than \$2,000, and is mandatory for all "applicable payments" under \$1,000.
2. Quotation processes below \$50,000 can be made at the discretion of the agency, with direct sourcing and less formal (but still documented) processes for seeking and accepting quotes being acceptable.
3. Purchases between \$50,000 and \$250,000 should use a formal Request for Quote (RFQ) or Request for Tender (RFT) process to go to the market.
4. Purchases over \$250,000 should use a formal Request for Tender (RFT) process to go to the market.

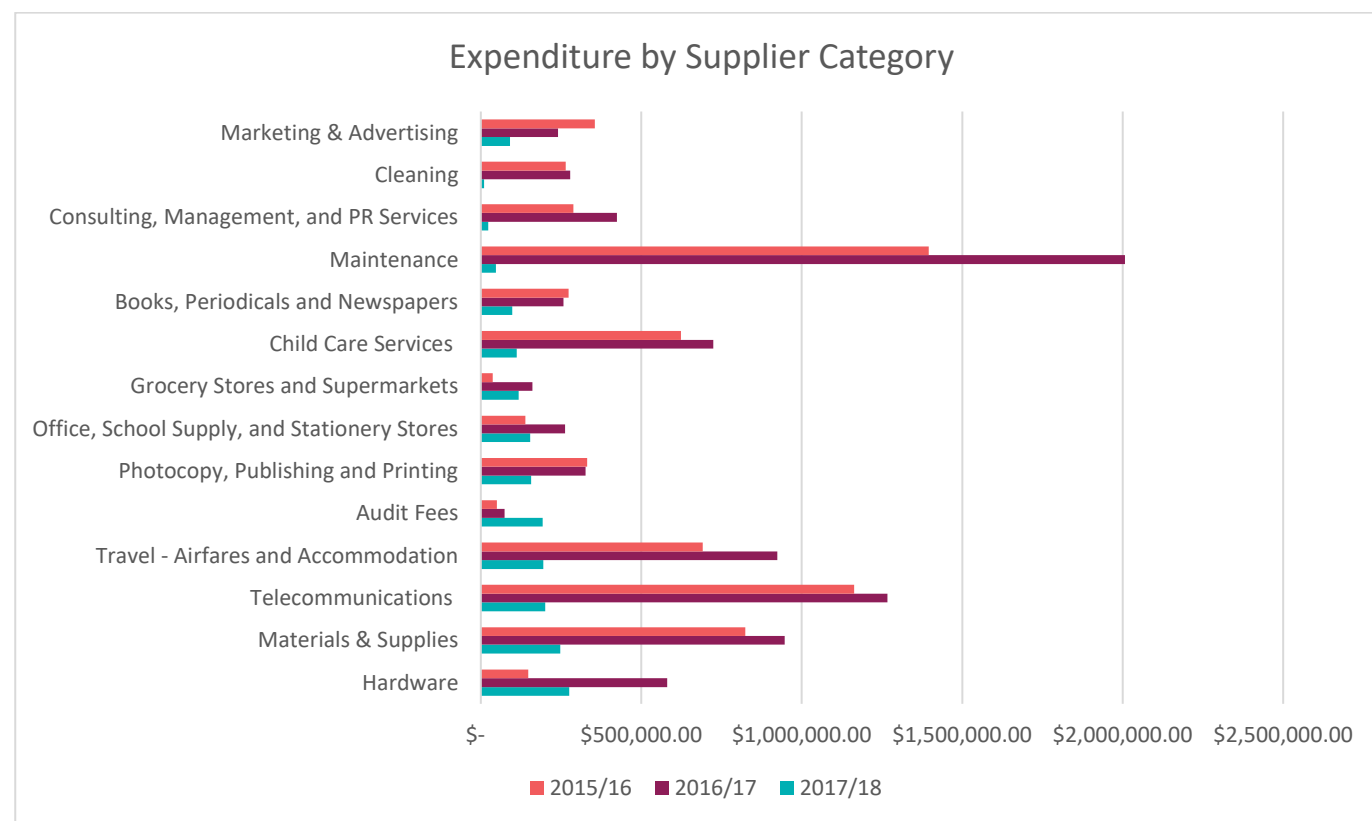
We analysed the data within these spend categories for the financial years 2015/16, 2016/17 and 2017/18 to date. We found the following:

Category of Spend	2015/16	2016/17	2017/18 (to date)
1. Number of suppliers with spend below \$50,000	12,243	14,727	6,080
2. Number of suppliers with between \$50,000 and \$250,000	34	32	12
3. Number of suppliers over \$250,000	0	6	0
<b>Total Number of suppliers</b>	<b>12,277</b>	<b>14,765</b>	<b>6,092</b>

The number of suppliers under \$50K is significant. This is consistent with the current procurement practices within TasTAFE which are distributed and the responsibility of individual managers. This is also consistent with our findings from our review of the credit card expenditure which highlights a large volume of low value transactions. TasTAFE do not currently have a purchasing strategy to ensure that this approach to purchasing is cost effective and efficient for the organisation as a whole.

## 4.2 Expenditure by Supplier Category

The following table shows the supplier categories in each year that had a total spend greater than \$50,000. We have used year to date spend in 2017/18 and therefore comparability is limited for this period.



The data analysis clearly shows that the expenditure requirements and patterns for TasTAFE should be driven by a clearly articulated purchasing strategy (refer finding 5.1.1). TasTAFE has clear expense categories where the spend is sufficient to warrant a review of the centralisation of the purchasing strategy in order to drive cost effectiveness for the organisation. While this must be balanced with other considerations including costs related to maintaining stock, support of smaller Tasmanian businesses, and effectiveness of the timeliness of supply, the data clearly shows that TasTAFE is purchasing significant amounts through small value transactions.

There are a number of categories of spend that could be further investigated for opportunities to have centralised purchasing or common use contracts which drive pricing efficiency including:

- Office and stationery supplies;
- Hardware;
- Material and supplies;
- Grocery stores and supermarkets; and
- Book stores.

## 5 Detailed Findings and Recommendations

The following tables outlines our detailed findings and recommendations. We have provided our findings in three (3) sections:

- Governance and Policy;
- Breaches of the Treasurer's Instructions; and
- Internal controls

Overall, the findings of this report highlight that the purchasing and procurement processes are currently not sufficient to ensure compliance with the TIs and to ensure that TasTAFE is receiving value for money through procurement activities. In particular, purchasing decisions are made on an ad hoc basis within regions operating independently and are primarily low in value. Whilst this review found that Managers were cognisant of achieving value for money for TasTAFE, there is little evidence that a purchasing strategy is operating for TasTAFE which is both compliant and ensuring that procurement is delivering value for TasTAFE as a whole.

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.1	Purchasing strategy	<p>TasTAFE is a large organisation with significant purchasing requirements including a high volume of low dollar value transactions. TasTAFE also operates a decentralised structure with business units being responsible for purchasing strategies and budget management. During our review, we noted a lack of clarity in relation to the purchasing strategy adopted across the organisation. This includes a lack of clarity surrounding purchasing decisions, cost-effectiveness, forward planning for purchasing, approved suppliers and whether a centralised approach to purchasing could drive price efficiencies for the agency.</p> <p>The current purchasing policies of TasTAFE include the use of TGCs for purchases under \$2,000 and are mandatory for purchases under \$1,000 consistent with whole-of-government policies. TGC's are an appropriate and efficient purchasing method for low value transactions. Managers however are making procurement decisions at the transactional level rather than viewing them holistically. As a result, Managers did not necessarily consider their annual spend and potential savings that could be sought and gained through procurement processes.</p>	<p>We would suggest that significant cost management outcomes could be achieved through the implementation of strong purchasing strategies across the organisation. In our view, whole-of-organisation purchasing strategies should be developed.</p>	<p>This recommendation was included within Project 2 Use of Government Credit Cards and was agreed by management.</p> <p>The concept of a centralised purchasing function is to be included in recommended changes to the TasTAFE structure to the incoming CEO.</p>
5.1.2	Policy	<p>TasTAFE's procurement approach documented on the intranet is aligned with the Tasmanian Government's objectives for purchasing and refers directly to the TIs. Procurement within TasTAFE is therefore directed by the Treasurer's Instructions (TIs). Managers interviewed however did not demonstrate a sound understanding of the TIs or how they should operate in practice. Until recently, TasTAFE did not have a central procurement resource to assist managers in procurement activities.</p> <p>Policies and procedures specific to TasTAFE are currently under development, with the aim to provide an overview of the essential procurement requirements for all TasTAFE procurements. Prior to this work, there were basic instructions on the intranet which referred to the TIs. The DoE policies were in place but not referred to by managers.</p>	<p>We recommend the development of a comprehensive policy for procurement.</p> <p>We recommend the use of simple flowcharts to guide staff on the appropriate procurement activity required.</p>	<p>Management agrees with these recommendations. Work has commenced to implement them.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.3	Procurement principles	<p>Treasurer's Instruction No 1101: Procurement Principles requires that all agencies ensure open and effective competition. This is further defined to mean using transparent and open purchasing processes, adequately testing the market (whether by open tender or by seeking quotations, whichever process is applicable), avoiding biased specifications and treating all suppliers consistently and equitably. The same TI requires the pursuit of value for money purchasing outcomes.</p> <p>We found through our interviews with employees across TasTAFE campuses that many cited references to value for money. However, there was no reference to open and effective competition and there was a general lack of understanding of what this constituted.</p> <p>For example, a manager had provided information to an employee on the procurement processes used within TasTAFE prior to an employee starting up a business for the purpose of providing services back to TasTAFE. The employee started up the business and the manager approved a contracting arrangement on behalf of TasTAFE with the employee's business. The manager did not seem to understand that disclosing information to potential suppliers regarding procurement processes, including price information, is not appropriate.</p>	<p>We recommend detailing procurement principles as part of the procurement strategy document currently in development.</p> <p>Once implemented the procurement principles should form part of ongoing training to Managers and staff.</p>	<p>Management agrees with these recommendations. Work has commenced to implement them.</p> <p>A training program is currently being designed and implemented around ethical decision-making in the context of being a TasTAFE, and more widely a Tasmanian, State Service employee.</p>
5.1.4	Training & Development	<p>There has been no ongoing training for purchasing and procurement processes for TasTAFE staff. Staff members have procurement authorisation delegation limits and credit cards, however no formal training is provided to employees as to the requirements their purchasing must meet, or the expectations conferred through the TIs.</p> <p>There are some gaps in knowledge of the processes that have been noted: for example, where procurement delegation limits have been misunderstood and applied to the annual value of the contract rather than the lifetime value of the contract.</p>	<p>We recommend employees receive ongoing appropriate training to ensure compliance with procurement policies and procedures.</p>	<p>Management agrees with this recommendation. A training program is currently being designed and implemented around ethical decision-making in the context of being a TasTAFE, and more widely a Tasmanian, State Service employee.</p>

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.5	Reporting	<p>Previously there has been limited analysis of the financial spend of TasTAFE in respect of annual spend with suppliers, or category of spend. Recently a central resource has been allocated on a part time basis to establish a policy framework and provide monitoring and provision of reports and data to Divisions.</p> <p>Without this data analysis to date, Managers are reliant on the review of their budget as a way of monitoring spend to ensure compliance with the TI thresholds. From our data analysis in section 4 we ascertained that there were three procurement arrangements that should have resulted in a formal Request for Quote (RFQ) or Request for Tender (RFT) (refer 5.2) however these had not been identified by management.</p>	<p>We recommend implementing a proactive monitoring arrangement to review supplier spend on a quarterly basis.</p> <p>We recommend those Managers procuring from suppliers with spend reaching thresholds be required to project further spend for the remainder of the year and to put in place a procurement plan if thresholds are likely to be reached.</p>	Management agrees with these recommendations and will progress implementation.
5.1.6	Records Maintenance / Documentation standards	As part of our review we sampled a number of contracts that were included within the contracts register to test compliance with the TIs. Overall, we noted a lack of documentation / lack of retention of records to evidence compliance with the TIs.	We recommend that each procurement process is quality assured for compliance purposes and the level of documentation required to demonstrate compliance is included within the policy framework. The policy for record retention should also address procurement requirements.	Management agrees with these recommendations and will progress implementation.

## Major Finding

### 5.2 Compliance with Treasurer's Instructions

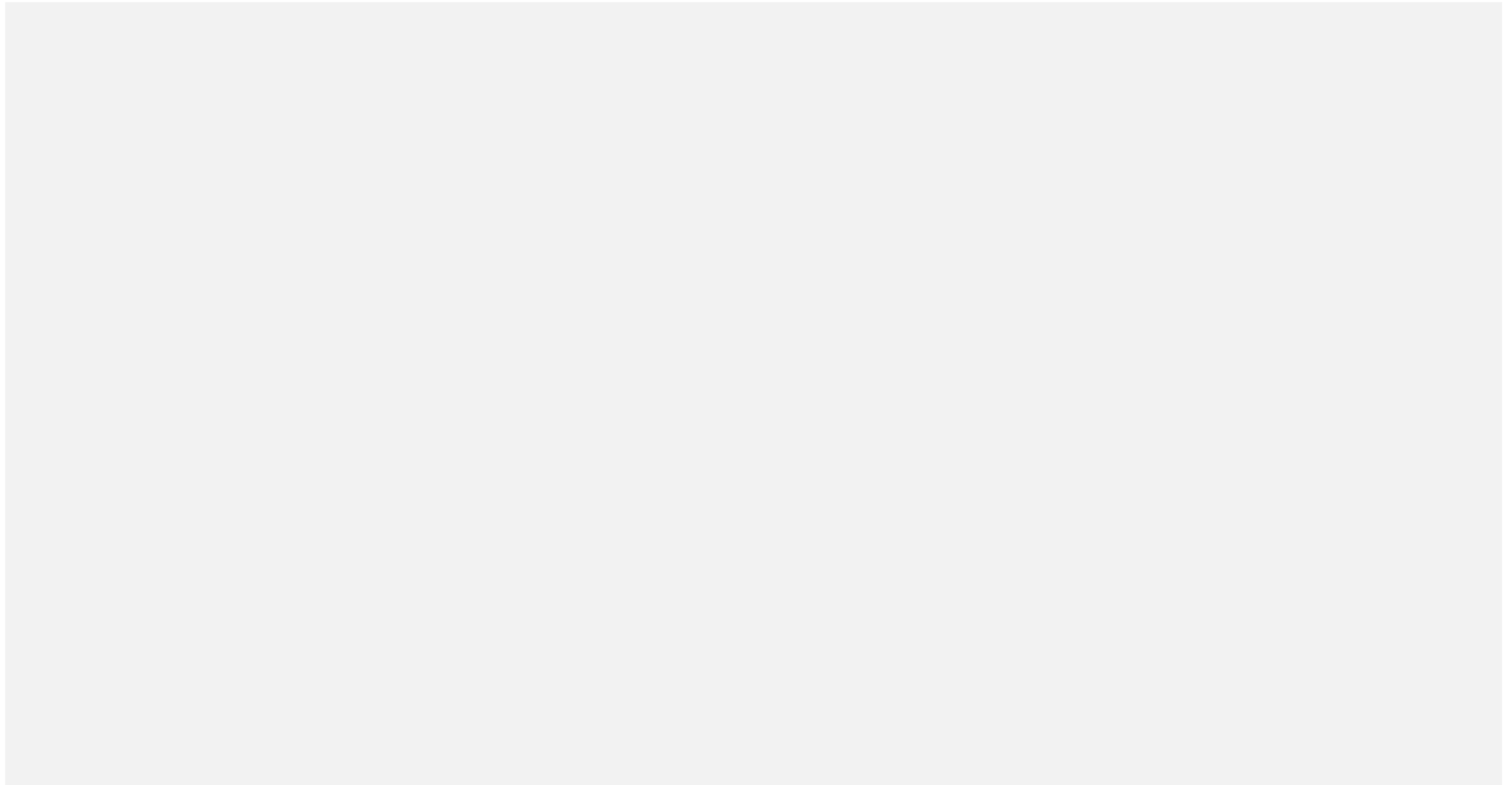
<p><b>Description of Issue:</b> We tested 20% of the contracts listed in the contracts register. Our testing of compliance with the Treasurer's Instructions identified the following breaches to the stated requirements:</p> <ul style="list-style-type: none"> <li>• There were no conflict of interest declarations completed for any of the five (5) selections (TI 1101);</li> <li>• Two of the five selections (40%) were authorised outside of the procurement delegations (TI 1103);</li> <li>• No evidence was provided of the contracts estimated value of procurement for any of the five (5) procurements sampled (TI1104);</li> <li>• Of the two selections where a quotation or tender was required, quotation or tender documentation could not be provided (TI 1106/1107);</li> <li>• There was no evidence of communication informing applicants of the result of the tender/quote process for the two contracts where it was a requirement (TI 1106/1107);</li> <li>• One contract over \$50,000 in value could not be located on the tender.gov.au website as an awarded contract, and was not disclosed in the TasTAFE annual reports;</li> <li>• TasTAFE had spent over \$50k with three suppliers during 2015/16, 2016/17 and 2017/18 year to date that should have followed a request for quotation or request for tender process; and</li> <li>• The one directly sourced contract included within the sample had no authorisation from the Head of Agency permitting an engagement in a direct sourcing procurement process.</li> </ul> <p><b>Discussion:</b> Our detailed review of the contracts selected for compliance testing can be found at section at 6.1.1. From the testing performed it is our view that there is insufficient understanding and knowledge of the TI requirements across TasTAFE. As a result, there is non-compliance against the requirements of the TIs.</p> <p>Our results also indicate that there are no quality assurance processes in place currently within TasTAFE to oversee compliance with TI requirements. Without an independent review of the documentation there is a risk that non-compliance is not identified and rectified.</p>	<p><b>Risk Rating:</b> <b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p><b>Risk Type:</b> Compliance Internal control</p>
<p><b>Recommendation:</b></p> <p>We refer to our recommendations in section 5.1 to improve the policy and governance framework currently in place. We are aware that a central procurement resource has been identified with a view of supporting Divisions to ensure compliance. We recommend that as well as managing the contracts register, the central resource should seek to review the documentation provided by Divisions and perform a quality assurance role while a revised approach to procurement is being established.</p>	<p><b>Management Comment:</b></p> <p>Management agrees with these recommendations and will progress implementation.</p>

## Major Finding

### 5.3 Internal Controls

<p><b>Description of Issue:</b> Our review of the procurement processes revealed the following weaknesses in the internal control framework:</p> <ul style="list-style-type: none"><li>• The contracts register is incomplete. We found formal contracts that had not been centrally recorded;</li><li>• TasTAFE had spent over \$50k with 3 suppliers during 2015/16, 2016/17 and 2017/18 year to date that should have followed a request for quotation or request for tender process;</li><li>• There is insufficient documentation held within the records management system to evidence compliance against the TIs;</li><li>• There is no quality assurance by managers or delegated officers to ensure compliance; and</li><li>• Supplier data is not used to manage compliance with contract thresholds.</li></ul> <p><b>Discussion:</b> Our testing of the contract register found that a second contract with the same supplier was in place which did not appear on the contracts register. A contracts register acts as a central repository that can be used by Divisions to check whether there are contracts already in place across TasTAFE that may be utilised. It can also be used to manage compliance with the TIs and can ensure procurement activity is planned for further exercises where contracts may be at risk of expiry.</p> <p>We tested eight (8) suppliers where TasTAFE had spend recorded of greater than \$50k. That testing concluded that in three of the eight cases (37.5%) the purchases should have been through a request for quotation or request for tender process. Where quotation or tender processes are not conducted, TasTAFE does not comply with the TIs.</p> <p>Without analysis of supplier data there is limited ability for TasTAFE to ensure procurement activity occurs where TI thresholds may be triggered. Supplier data can also be used to ensure that TasTAFE is consolidating common spend across regions or Divisions to create better value for money and cost efficiency.</p>	<b>Risk Rating:</b>	<b>High:</b> Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.
		Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.
	<b>Risk Type:</b>	Compliance
		Internal control
<p><b>Recommendation:</b></p> <p>We recommend that data analysis of expenditure within TasTAFE is utilised at the strategic level to drive procurement strategies within TasTAFE.</p> <p>We would also recommend that the central procurement resource analyses supplier spend and compares the data to information held within the contracts register. We recommend following up with Managers responsible for procurement the need to carry out quotation or tendering exercises where supplier spend reaches TI thresholds, and where documentation and processes have not complied. Internal review controls should be implemented prior to the procurement being undertaken to ensure the processes to be adopted are appropriate.</p>	<p><b>Management Comment:</b></p> <p>Management agrees with these recommendations and will progress implementation.</p>	

## 6 Appendices



## 6.1 TI Compliance

Our sampling approach to test compliance against the requirements of the Treasurer's Instructions (TIs) included:

- 20% of contracts register; and
- 10% of all suppliers with an annual dollar value greater than \$50,000.

### 6.1.1 Contracts Register

The contracts register at the time of the audit included 25 contracts. We selected five (5) of the contracts for testing against the requirements of the TIs.

The following table identifies the breaches we found in the sample of contracts from the contracts register:

	TI	Exception Details	Requirement of TI	Compliance Result
1.	1101 – Procurement Principles	No conflict of interest declarations were able to be provided for any of our selections.	Agencies must develop and maintain a process for the recording of conflict of interest declarations.	0% (0 out of 5)
2.	1103 – Procurement Delegations & Authorisations	For two of our selections, the contracts were signed as authorised outside of that employee's authorised procurement delegation limit: <ul style="list-style-type: none"><li>• At the time of the contract signing, the employee who authorised a contract worth approximately \$200,000, had a procurement limit of \$100,000.</li><li>• Another contract was signed at the Division Manager level with a delegation limit of \$50,000. At the time of signing there was no accurate estimation of the value of the procurement, however we note it has incurred over \$100,000 per annum which is over the delegation limit of the signing officer.</li></ul>	All procurement purchases must be made in the name of the Crown in right of Tasmania, or a relevant statutory body.  Authorisation of contracts must also fall within the documented delegation monetary limits within an Agency.	60% (3 out of 5)
3.	1104 – Valuing Procurements	There was no evidence provided that demonstrated an estimation of the value of the procurements had been undertaken.	The value of the procurement should be estimated, taking into account all forms of remuneration, including premiums, fees, commissions and interest.	0% (0 out of 5)

	TI	Exception Details	Requirement of TI	Compliance Result
4.	1106/1107 – Goods & Services Valued at more than \$50,000	<p>Quotation or tender documentation was not able to be located for the two relevant selections that were made.</p> <p>Communications informing tenderers/quotation submitters about the result of the contract selection process were unable to be located.</p>	<p>TI 1106 requires minimum levels of quotations and assessment of submitted quotations for contracts with values between \$50,000 and \$250,000.</p> <p>Result notifications are required to be sent to all submitting a quote, whether successful or unsuccessful.</p> <p>TI 1107 requires minimum levels of tenders and assessment of submitted tenders for contract with values of more than \$250,000. Result notifications are required to be sent to all tenderers, whether successful or unsuccessful.</p>	0% (0 out of 2)
5.	1110/1111 – Website and Annual Report Reporting	<p>Contract Two, with a value of more than \$50,000 per annum, was not able to be located on the tenders.gov.au website at the time of award.</p> <p>The selection was also unable to be located in the disclosed contracts awarded section of TasTAFE's annual reports.</p>	<p>Details of all procurements over \$50,000 are required to be reported on the tenders.gov.au website under TI 1110.</p> <p>TI 1111 requires disclosure of procurement processes valued at over \$50,000 be reported in the annual report.</p>	50% (1 out of 2)
6.	1114 – Direct or Limited Submission Sourcing	<p>One of our selections was directly sourced from a supplier, however no documentation of the approval for this direct sourcing procurement was able to be provided.</p> <p>The contract was directly sourced without consideration of the monetary value of the procurement. An ongoing informal supply arrangement was in already in place, therefore the employee entered into a three-year contract with the supplier.</p>	<p>Documented approval must be granted in writing from the Head of Agency before a direct or limited submission procurement can be sought.</p>	0% (0 out of 1)




## 6.2 Approach

Our approach to fulfilling the scope of the investigative project included:

- Reviewing current policies and procedures in place for procurement and comment on the adequacy of these documents with regards to currency and availability to staff;
- Meeting with key corporate staff responsible for the management of procurement regarding current practice;
- We performed data analytics on suppliers for the period 1 July 2015 to September 2017. This data analytics testing allowed us to classify and review trends and categories of spend and identify those suppliers where formal procurement processes under the TIs applied;
- For a targeted sample of procurements across a range of services, we tested the processes for evidence of documentation and authorisation and level of compliance to Purchasing and Property Treasurer's Instructions Part 11 Goods and Services;
- We performed an assessment of the procurement strategy and model of TasTAFE to ensure value for money objectives are achieved and efficiency in the processes undertaken. We also reviewed opportunities for TasTAFE to increase local supply and competitive advantage;
- We met with key staff to discuss contract arrangements across multiple campuses of TasTAFE and to address further questions.

## 6.3 Risk Rating Criteria

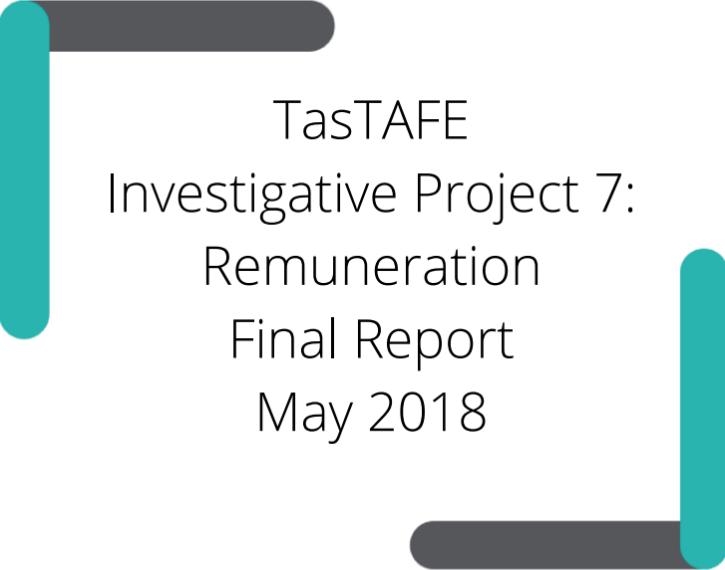
Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management. A high risk of financial loss, impairment of operations or misrepresentation of financial or operational results.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigative Project 7:  
Remuneration  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Limitation of Scope.....	5
5	Detailed Findings and Recommendations.....	6
5.1	Governance and Policy.....	6
5.2	Compliance results.....	8
6	Appendices .....	13
6.1	Approach .....	14
6.2	Risk Rating Criteria.....	15

# 1 Executive Summary

## Our Focus

The scope of this project was to perform a detailed investigative review of TasTAFE's remuneration systems. Specifically, the scope of this project focused on remuneration including the following arrangements:

- Package restructuring.
- Incentive schemes.
- Relocation arrangements.
- Flexible working arrangements.

## What is Working Well

- Policies and procedures are in place for the areas covered by this audit, with the exception of appointments to rates higher than the base level within a band. These policies are consistent with the State Service Employment Directions and the Tasmanian State Service Award.
- Current procedures in place for approving salary progressions are adequate and appear to be working effectively.
- The findings of the Integrity Commission were supported by the findings of this audit. Subject to our limitation in scope, we did not find any further evidence of payments being made to employees of TasTAFE outside of their remuneration and allowances.

## Findings

- High      3 high risk findings:
- Payments outside of contractual entitlements – previous Integrity Commission findings only.
  - Salary progression – Teaching Service (Tasmanian Public Service) Award and Tasmanian State Service Award. Monitoring and documentation.
  - Missing documentation.
  - Above base rate salaries.

We also made 2 observations and recommendations in relation to governance and policy matters related to remuneration within TasTAFE.

## Our Recommendations

We identified opportunities for improvement and have made the following recommendations:

- guidelines are developed for the appointment of staff to higher than base rate including what documentation is required to substantiate the request.
- a strategic review be undertaken of the Business Partnership Agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.
- teachers' salary progressions are reviewed to ensure they are in accordance with the award and that salary progressions are applied appropriately, particularly for fixed term employees.
- procedures in place for approving salary progressions be extended to encompass the monitoring of employee's anniversary dates and ensuring salary progressions are kept up to date and are supported with the appropriate processes and documentation.
- TasTAFE review the internal control framework surrounding payroll, record retention, authorisation requirements and delegations within TasTAFE and document and assign accountabilities for these controls

## 2 Context, Background and Scope

### Context and Background

WLF Accounting & Advisory (WLF) have been appointed by TasTAFE, as their internal auditors, to perform an investigative project into the control framework surrounding remuneration.

Owned by the Tasmanian Government, TasTAFE is established by and operates under the *Training and Workforce Development Act 2013* ("TWD Act"), and is governed by an independent Statutory Board which reports to the Minister for Education and Training. The Chief Executive Officer (CEO) is accountable to the Board and has responsibilities under the TWD Act and other Acts, including the *State Service Act 2000* ("SS Act").

TasTAFE is also an Agency under the SS Act, with the effect that:

- TasTAFE employees and officers are employed under the SS Act; and
- The CEO is a Head of Agency under the SS Act.

At 30 June 2016, TasTAFE had 836 employees (716 full time equivalents), spread across the Teaching Service (429 FTE), General Band (272 FTE), Professional Band (6 FTE), Officers (6 FTE) and Facility Attendants (3 FTE).

The recent Integrity Commission report, *An Investigation into a Complaint of an Alleged Conflict of Interest Against Senior Executive Officers of TasTAFE* (Report No. 2 of 2017), investigated a number of allegations. The purpose of this investigative project is to review the governance framework surrounding remuneration systems in light of the Integrity Commission's findings.

### Scope

The scope of this project was to perform a detailed investigative review of TasTAFE's remuneration systems.

Specifically, the scope of this project focused on remuneration including the following arrangements:

- Package restructuring – provisions within the policy framework or award to include additional benefits outside of a basic salary arrangement within an employee's or officer's contract.
- Incentive schemes – determining if a formal scheme used to promote or encourage specific actions or behaviour by a specific group of people during a defined period.
- Relocation arrangements – incorporating relocation expenses as part of a salary package for recruited employees to entice intra or interstate relocation for employment purposes.
- Flexible working arrangements – the right to request variations to the "normal work arrangements". Examples of flexible working arrangements include changes to:
  - hours of work (for example, changes to start and finish times)
  - patterns of work (for example, split shifts or job sharing)
  - locations of work (for example, working from home).

We referred to the State Service Employment Directions and the Tasmanian State Service Award for this project and reviewed the availability, currency and adequacy of the policy framework.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the processes, systems and documentation we have assessed the maturity of TasTAFE's human resources internal policy and procedure framework as follows:



#### Our Key Observations

- Policies and procedures are in place for the areas covered by this audit, with the exception of appointments to rates higher than the base level within a band. These policies are consistent with the State Service Employment Directions and the Tasmanian State Service Award. Further work should be performed to enhance these policies consistent with the findings of this audit.
- The compliance results indicated that processes need to be enhanced to monitor compliance; in particular in relation to salary progressions, anniversary dates, and retention of documentation.
- Current procedures in place for approving salary progressions are adequate and appear to be working effectively.
- The findings of the Integrity Commission were supported by the findings of this audit. Subject to our limitation in scope, we did not find any further evidence of payments being made to employees of TasTAFE outside of their remuneration and allowances.
- The business partnership arrangement with DoE requires further clarification in relation to key controls surrounding remuneration, and the retention of documentation.

#### How You Could Reach Your Target

Based on our key observations, we have made the following recommendations, which could assist TasTAFE to reach the target indicated. Specifically, we recommend that:

- guidelines are developed for the appointment of staff to higher than base rate including what documentation is required to substantiate the request.
- a strategic review be undertaken of the Business Partnership Agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.
- teachers' salary progressions are reviewed to ensure they are in accordance with the award and that salary progressions are applied appropriately, particularly for fixed term employees.
- procedures in place for approving salary progressions be extended to encompass the monitoring of employee's anniversary dates and ensuring salary progressions are kept up to date and are supported with the appropriate processes and documentation.
- TasTAFE review the internal control framework surrounding payroll, record retention, authorisation requirements and delegations within TasTAFE and document and assign accountabilities for these controls.

## 4 Limitation of Scope

Due to system limitations we were unable to obtain a listing of all employees and their actual remuneration from 1 July 2014 to 30 June 2017. Instead, we were provided with a listing of all employees at 30 June 2015, 2016 and 2017 and their substantive banding at this point in time. We were also provided with a listing of employees paid during this timeframe, regardless of whether they were on the payroll at 30 June.

The data received was insufficient to be able to target payments to employees outside of their basic salary and leave remuneration. We therefore utilised data analytics to identify significant increases in salaries/bands as a base for our sampling.

We also requested a listing of all employee bank details to undertake an analysis of the creditors data for evidence of payments made outside of the payroll systems. This information was not provided.

Due to the limited data provided there were significant limitations to identifying and testing payments to employees outside of their basic salary remuneration. Our report should therefore be read with this limitation of scope in mind.

## 5 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided our findings in two (2) sections:

- Governance and policy
- Compliance results

Overall, the findings of this report highlight significant opportunities to enhance the control and governance framework surrounding remuneration.

Major Findings				
5.1 Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.1.1	Appointment at a rate higher than base rate	<p>Through our testing we noted a number of instances where staff were appointed to positions or awarded HDAs (Higher Duties Allowances) at rates above the base rate of the band appointed to without any supporting documentation detailing the reason/rationale for this (see finding 5.2.4).</p> <p>There are currently no policies or procedures in place providing guidance on the appointment of employees to levels above the base band level. We did however note that the selection report template now includes a section where the selection panel can provide details as to what pay rate they are proposing to offer and the reasons / rationale for the above base rate salary specified for consideration.</p> <p>The selection report template does not give any guidance on what are reasonable grounds for proposing above base rate salaries or detail any requirements for supporting documentation such as employment history or evidence of prior salary.</p> <p>Furthermore, we note that the selection report template will not capture staff awarded HDAs through direct appointment or sessional employees.</p>	We recommend that guidelines are developed for the appointment of staff to higher than base rate including what documentation is required to substantiate the request.	Management accepts this recommendation and will progress its implementation.

## Major Findings

### 5.1 Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.2	Business Partnership Agreement with DoE	<p>Our audit identified a number of issues which reflect on the current Business Partnership Agreement with DoE. These include:</p> <ul style="list-style-type: none"> <li>• Missing paperwork which could not be located.</li> <li>• Insufficient clarity on the role of DoE when processing payroll requests for TasTAFE such as reviewing delegations, and ensuring documentation is complete and sufficient to support payroll requests.</li> </ul> <p>There must be clarity between TasTAFE and DoE in relation to key roles and accountabilities as well as process to ensure the level of service and priority is maintained for TasTAFE. In our view, the current decentralised structure of TasTAFE with a limited corporate services function, and the business partnership agreement with DoE is resulting in a lack of clarity and/or resourcing assigned to critical compliance and oversight roles within the organisation. The current Business Partnership agreement is silent on the responsibility for critical internal controls which must be performed within the corporate services function.</p>	We recommend that a strategic review be undertaken of the Business Partnership Agreement with DoE and the corporate structure of TasTAFE to ensure sufficient and clear resourcing is assigned to compliance and oversight roles within the organisation.	<p>Management accepts this recommendation and is working with the Department of Education to address is as recommended.</p> <p>This has also been raised in previous reports.</p>

## Major Findings

### 5.2 Compliance results

Ref	Description	Details	Risk Rating:	High:
5.2.1	Payments outside of contractual entitlements	<p>The Integrity Commission's report into TasTAFE identified evidence of a Senior Manager receiving additional benefits outside of their contractual entitlements which included flights, rental payments and anniversary bonuses. They also identified the provision of incorrect or misleading information in order to secure this employee a higher than base salary and unauthorised salary increases.</p> <p>Through our testing we did not make any additional findings in relation to this employee.</p> <p>We did not find any other evidence of incentive payments or employees receiving additional benefits outside of their contractual/award entitlements. However, as mentioned in section 4 above, we were not able to obtain the necessary data to fully interrogate for this information.</p> <p>We did identify instances of salary progression and appointments at higher than base salaries without supporting documentation (see findings below). However, we did note that the majority of exceptions identified in relation to salary progressions and permanent appointments at a higher than base salary did not appear unreasonable given the employee's service history.</p>		<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having a major adverse effect on the ability to achieve organisational/process objectives.</p>
			Risk Type:	<p>Compliance</p> <p>Internal Control</p>
		<p><b>Recommendation:</b></p> <p>We acknowledge that TasTAFE have exhausted all avenues for follow up in relation to the Integrity Commission's findings and that this employee is no longer employed by TasTAFE.</p>	<p><b>Management Comment:</b></p> <p>Management notes the comments by WLF.</p>	

## Major Findings

### 5.2 Compliance results

Ref	Description	Details	Risk Rating:	High:
5.2.2	Salary progression – Teaching Service (Tasmanian Public Service) Award	Part III, Clause 2(a) of the Teaching Service (Tasmanian Public Service Award) provides that progression through the salary rates for a Band 1 employee will be by annual increments, having regard to the teacher acquiring skills and professional knowledge and applying these in the workplace over such a period. The skills and professional knowledge will be demonstrated by objective criteria developed through a consultative process between the Parties.		Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.
		Through our testing and discussions with staff we noted that teaching staff are awarded their annual salary progression automatically without any requirement to demonstrate the skills and professional knowledge acquired.		Issue that could have, or is having a major adverse effect on the ability to achieve organisational/process objectives.
		We also noted that the salary progression also applies to fixed term teaching staff. Therefore, for one employee tested, the employee progressed from a Band 1 Level 2 to Band 1 Level 6 in just over two years as a result of annual contracts awarding the employee a higher rate due to previous experience in addition to the automatic annual increment.	Risk Type:	Compliance Internal Control
		<b>Recommendation:</b> We recommend that going forward teachers' salary progressions are reviewed to ensure they are in accordance with the award and that salary progressions are applied appropriately, particularly for fixed term employees.	<b>Management Comment:</b> Management accepts this recommendation and will develop a process to address the issues raised.	

## Major Findings

### 5.2 Compliance results

Ref	Description	Details	Risk Rating:	High:
5.2.3	Salary progression – Tasmanian State Service Award	<p>Part II, Clause 5(e)(i) provides that progression within a salary band from one level to the next is to occur on the anniversary date of appointment predicated upon an assessment of the requirements established in the employee's performance management plan from the previous 12 months and certification that performance has been satisfactory.</p> <p>TasTAFE has a procedure in place around salary progressions including the requirement for managers to complete a salary progression form and provide a copy of the performance development plan (PDP) and evidence that the employee has met the requirements of their PDP. We also noted that there are current procedures in place to notify managers when their employee's anniversary dates are nearing. However, there is nothing currently documented around how the overall process of monitoring employee's salary progressions is managed.</p> <p>Provided an employee is meeting the requirements of their PDP to an appropriate standard, they are entitled to the salary progression on the anniversary date of appointment. If the salary progression form is completed after an employee's anniversary, an employee is entitled to back pay.</p> <p>Through our testing we noted two instances where Tasmanian State Service Award employees had received salary progressions and we were unable to obtain the relevant authorisation or salary progression form.</p> <p>Through our discussions we were also advised of an employee who was not progressed for a number of years, resulting in a significant pay out to the employee when the error was discovered.</p> <p><b>Recommendation:</b> We acknowledge that the procedures in place for approving salary progressions are adequate and appear to be working effectively. However, we have identified the need for them to be extended to encompass the monitoring of employee's anniversary dates and ensuring salary progressions are kept up to date and are supported with the appropriate processes and documentation. With regard to the exceptions noted we recommend that TasTAFE review the internal control framework surrounding payroll, record retention, authorisation requirements and delegations within TasTAFE and document and assign accountabilities for these controls.</p>	<p><b>Risk Type:</b></p>	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having a major adverse effect on the ability to achieve organisational/process objectives.</p> <p>Compliance Internal Control</p> <p><b>Management Comment:</b></p> <p>Management accepts these recommendations. The internal control framework will be reviewed, along with the appropriate procedures to address these recommendations. Additional resources have been recruited to assist with the implementation of recommendations from this, and previous audits.</p>

## Major Findings

### 5.2 Compliance results

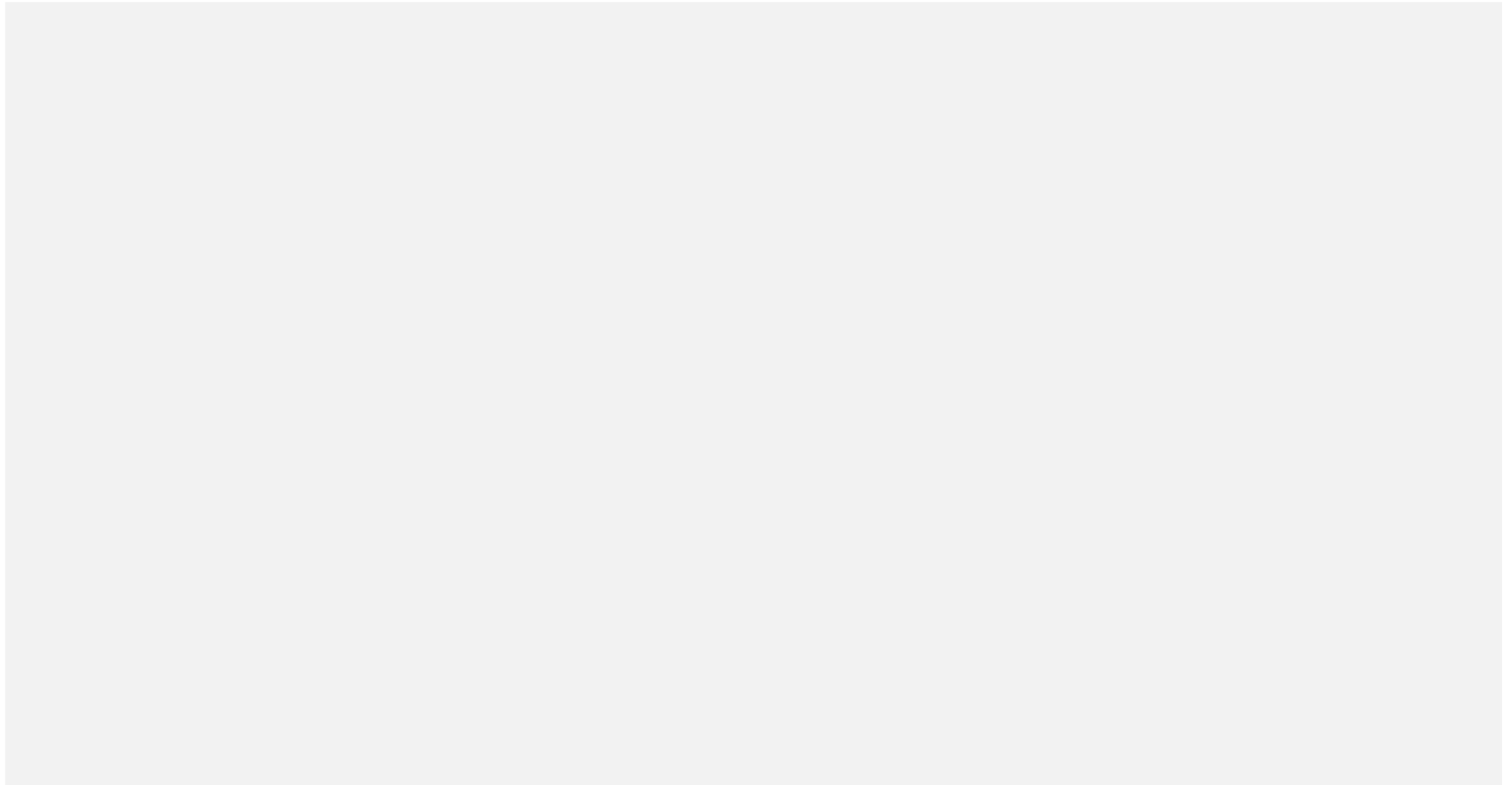
Ref	Description	Details	Risk Rating:	High:
5.2.4	Missing documentation	<p>Through our compliance testing we noted a number of issues. These include:</p> <ul style="list-style-type: none"> <li>We were unable to obtain supporting documentation for an employee who had been paid maternity leave.</li> <li>We were unable to obtain supporting documentation for 4 employees receiving HDAs</li> <li>We noted an employee that was paid three short-term More Responsible Duties Allowances (MRDAs). There was no documentation detailing the higher level duties being undertaken during these periods.</li> <li>We noted that an employee was paid a Higher Duties Allowance at the top level of the specified Band. However, the Variation of Duties – Higher Duties Allowance sent to the employee and the authorised staff movement advice specified the HDA was to be paid at the lowest level of the band. We acknowledge that this HDA was an extension of a previous HDA which was paid at the top level of the specified band. However, the payment of this HDA is in contravention of the signed authorisation.</li> </ul>		<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.</p> <p>Issue that could have, or is having a major adverse effect on the ability to achieve organisational/process objectives.</p>
			Risk Type:	Compliance Internal Control
		<p><b>Recommendation:</b> We recommend that TasTAFE review the internal control framework surrounding payroll, record retention, authorisation requirements and delegations within TasTAFE and document and assign accountabilities for these controls.</p>	<p><b>Management Comment:</b></p> <p>As with 5.2.3, management accepts this recommendation and will conduct a review of the internal control framework. Again, additional resources have been recruited to assist with the recommendations from this, and previous audits.</p>	

## Major Findings

### 5.2 Compliance results

Ref	Description	Details	Risk Rating:	High:
5.2.5	Above base rate salaries	Through our compliance testing we noted two permanent appointments and two employees who were paid HDAs above the base rate with no supporting documentation detailing the reason/rationale for this. We did note that for both permanent appointments the employee history suggests experience prior to the permanent appointment.		Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management.  Issue that could have, or is having a major adverse effect on the ability to achieve organisational/process objectives.
			Risk Type:	Compliance Internal Control
		<b>Recommendation:</b> We recommend that guidelines are developed for the appointment of staff to higher than base rate including what documentation is required to substantiate the request and that this is communicated to staff.	<b>Management Comment:</b> Management accepts this recommendation and will progress its implementation.	

## 6 Appendices






## 6.1 Approach

To complete this review, we did the following:

- Reviewed relevant remuneration policies and procedures;
- Obtained relevant data over a three-year period relating to all remuneration by employee and band;
- Performed time-series data analysis to identify potential outliers in terms of progression each year, or differences in pay structure relevant to the award and banding of the employee;
- Selected a sample of employees and assessed compliance with policies and procedures or the relevant legislative award requirements;
- Had discussions with key staff responsible for the processes identified for remuneration authorisation or records retention;
- Benchmarked key controls against best practice controls including the identification of opportunities to enhance current practice; and
- Documented and reported findings.

## 6.2 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management. A high risk of financial loss, impairment of operations or misrepresentation of financial or operational results.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Assessment of TasTAFE Human Resources Policy and Procedure Framework .....	5
4.1	Criteria.....	5
4.2	Gap analysis .....	7
5	Detailed Findings and Recommendations.....	9
5.1	Governance and Policy.....	10
5.2	Compliance .....	15
6	Appendices .....	20
6.1	Data Analytics .....	21
6.2	Approach .....	24
6.3	Risk Rating Criteria.....	25

# 1 Executive Summary

## Our Focus

We performed a high-level review of TasTAFE's human resources (HR) policy and procedure framework.

We focused on the extent to which TasTAFE's policies and procedures are robust, comprehensive, define expectations, approved, reviewed and updated conform with applicable laws, legislative instruments and policies; and reflect best practice.

We evaluated TasTAFE's policies and procedures in relation to vacancy control, performance management and terminations.

The scope of this review is limited to TasTAFE's human resources internal policies. We will not examine the content or overall framework of DoE human resources policies, except to ensure that TasTAFE policies comply with them.

## What is Working Well

We found the following elements are working well:

- TasTAFE Employee Relations maintains a spreadsheet of HR policies, procedures and guidelines and review dates.
- There are reasonably comprehensive frameworks in place for the work health and safety, professional development and vacancy control functions.
- Employee Relations personnel are aware of and use Employment Directions and State Service Management Office policies.

## Findings

High Overall, we found the HR policy and procedures framework is incomplete. TasTAFE has identified many areas where policies do not currently exist.

Where TasTAFE policy does not exist, DoE policies/procedures are used. However, due to significant differences in the two agencies' structures and functions, we found that the DoE policy documents are often not well-suited to the TasTAFE context.

The HR policy function is currently not resourced by TasTAFE.

To date, the Board has not been included in the approval process for HR policies and procedures.

There has been a lack of resources for training and/or targeted communication to managers and other personnel about new policies and procedures.

A compliance framework is not in place to monitor the implementation of HR policies and procedures.

## Our Recommendations

We have made recommendations in relation to:

- Establishing and resourcing a formal HR policy function within TasTAFE;
- Involvement of the TasTAFE Board in developing and approving a suite of Board-level TasTAFE policies;
- Internal processes for HR policy approval;
- Conducting a detailed gap analysis of TasTAFE's HR policy and procedure framework, measured against its compliance obligations;
- Reviewing implementation processes and ensuring they are adequately resourced;
- Involvement of the TasTAFE Board in monitoring compliance with HR policies and procedures;
- Oversight mechanisms; and
- Feedback systems.

## 2 Context, Background and Scope

### Context and Background

WLF Accounting & Advisory (WLF) have been appointed by TasTAFE as their internal auditors to perform a detailed investigative review of TasTAFE's human resource (HR) internal policies and procedures.

Owned by the Tasmanian Government, TasTAFE is established by and operates under the *Training and Workforce Development Act 2013* ("TWD Act"), and is governed by an independent Statutory Board which reports to the Minister for Education and Training. The Chief Executive Officer (CEO) is accountable to the Board and has responsibilities under the *TWD Act* and other Acts, including the *State Service Act 2000* ("SS Act").

TasTAFE is also an Agency under the *SS Act*, with the effect that:

- TasTAFE employees and officers are employed under the *SS Act*; and
- The CEO is a Head of Agency under the *SS Act*.

At 30 June 2016, TasTAFE had 836 employees (716 full time equivalents), spread across the Teaching Service (429 FTE), General Band (272 FTE), Professional Band (6 FTE), Officers (6 FTE) and Facility Attendants (3 FTE).

TasTAFE has a register of 125 internal HR policies, procedures and guidelines.

The recent Integrity Commission report, *An Investigation into a Complaint of an Alleged Conflict of Interest Against Senior Executive Officers of TasTAFE* (Report No. 2 of 2017), investigated a number of allegations. The purpose of this investigative project (Project 8 of 12) is to review the HR internal policy and procedure framework in light of the Integrity Commission's findings.

### Scope

The scope of this project was to perform a detailed investigative review of a selection of key HR policies and procedures.

Specifically, the scope of this project examined whether and to what extent to which TasTAFE's human resources internal policies and procedures:

- Are robust;
- Are comprehensive, both individually and as an overall framework;
- Clearly define expectations of operational divisions versus what is controlled and managed centrally, and that the separation of tasks is appropriate. We will consider any HR capability gaps in this assessment;
- Are appropriately approved, reviewed and updated;
- Comply with or conform to applicable laws, legislative instruments and policies; and
- Reflect best practice.

We focussed on three high-risk areas identified from the findings of the other investigative audits to date, namely, vacancy management, performance management and terminations.

Relevant laws, legislative instruments and policies include the *SS Act*, *Employment Directions*, applicable *Awards*, *TWD Act*, *Anti-Discrimination Act 1998*, *Work Health and Safety Act 2012*, *Workers Rehabilitation and Compensation Act 1988*, *Registration to Work with Vulnerable People Act 2013*, *Teachers Registration Act 2000*, *Archives Act 1983*, and Commonwealth taxation and superannuation laws.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the processes, systems and documentation we have assessed the maturity of TasTAFE's human resources internal policy and procedure framework as follows:



#### Our Key Observations

We made the following observations during our review:

- TasTAFE Employee Relations maintains a spreadsheet of HR policies, procedures and guidelines and review dates.
- There are reasonably comprehensive frameworks in place for the work health and safety, professional development and vacancy control functions.
- Employee Relations personnel are aware of and use Employment Directions, State Service Management Office policies.

However, there is no formal HR policy function within TasTAFE and the function is not resourced.

Our gap analysis of TasTAFE's HR policy and procedure framework revealed gaps in several key areas. TasTAFE human resources personnel are aware of many of these gaps but are not resourced to address them.

Implementation and communication of new policies has not included training and targeted communication for managers and other relevant personnel to ensure that they are aware of their obligations under the policies.

Monitoring processes are lacking or absent, with no formal HR policy oversight function.

Approval processes for policies do not include review by the Board or a Board subcommittee to ensure that the policy meets TasTAFE's needs and is relevant.

#### How You Could Reach Your Target

Based on our key observations, we have made the following recommendations, which could assist TasTAFE to reach the target indicated:

- Establish and resource a formal HR policy function within TasTAFE;
- Involve the TasTAFE Board in developing and approving a suite of Board-level TasTAFE policies;
- Review internal processes for HR policy approval and implementation;
- Conduct a detailed gap analysis of TasTAFE's HR policy and procedure framework, measured against its compliance obligations;
- Involve the TasTAFE Board in monitoring compliance with HR policies and procedures;
- Implement effective oversight mechanisms; and
- Implement effective systems to gather and analyse feedback.

## 4 Assessment of TasTAFE Human Resources Policy and Procedure Framework

### 4.1 Criteria

The following criteria were used to evaluate the specific policies that we tested, namely, vacancy control, performance management and terminations.

Assessment of TasTAFE Human Resources Internal Policy and Procedure Framework		
Criteria	Sub-criteria	Description
Comprehensive	Overall framework	The set of policies and procedures as a whole addresses all key elements of TasTAFE's human resources functions.
	Integration	The policy and procedure framework is well-integrated, with cross-references between relevant policies/procedures and internal documents.
	Whole process	Each policy/procedure provides a complete narrative for the process to which it relates.
	Relevant laws and policies	Each policy/procedure identifies relevant provisions of the <i>TWD Act</i> , <i>SS Act</i> , <i>SS Regulations</i> and Employment Directions. Other relevant laws and policies are identified.
	Policy guidance	Key words, expressions and concepts are defined and their practical effect is explained. Application and effect of other relevant laws and policies is explained. Relevant considerations for discretionary decisions are identified.
Compliant	Legal	Guidance in the policy/procedure is consistent with applicable laws, legislative instruments and policies.
	Best practice	Policies/procedures are consistent with good practice.
	Practical	Policies/procedures include flowcharts, checklists and other tools to facilitate compliance.
	Monitoring and compliance	Mechanisms exist to ensure policies and procedures are correctly applied.

## Assessment of TasTAFE Human Resources Internal Policy and Procedure Framework

Criteria	Sub-criteria	Description
Robust	Transparent	The policy/procedure promotes transparency and accountability in the exercise of TasTAFE's human resources functions.
	Effective	The policy/procedure establishes effective controls to ensure probity, including adequate mechanisms to identify, record and manage conflicts of interest.
	Efficient	The processes established by the policy/procedure are efficient. The policy/procedure sets standard or usual timeframes for identified tasks.
Responsibilities	Management functions	Policies/procedures clearly identify what is required of operational divisions versus what is controlled and managed centrally.
	Appropriate allocation	Allocation of tasks between operational divisions and central HR is appropriate (efficient and effective).
	Individual responsibilities	Each policy/procedure identifies who is responsible for carrying out the identified steps or meeting identified requirements.
	Authorisation	Policies/procedures address delegations and required authorisations to take or approve relevant steps and to make relevant decisions.
Currency	Review	The policy/procedure provides for periodic review. The policy/procedure provides for review when specific triggers occur (e.g. change in legislation, Employment Directions or Award).
	Responsibility	The policy/procedure allocates responsibility for conducting periodic / ad hoc reviews.
	Approval	Policy/procedure identifies position responsible for approving it.
	Version control	The policy/procedure includes effective date and version control information.

## 4.2 Gap analysis

We conducted a high-level gap analysis based on our review of TasTAFE's register of human resources (HR) policies, procedures and guidelines and on other information provided during the audit.

The gap analysis revealed that there are reasonably comprehensive frameworks in place for the work health and safety, professional development and vacancy control functions.

However, TasTAFE HR personnel identified areas where there is currently no framework or an inadequate framework, including:

- managing underperformance;
- non-financial delegations;
- strategic workforce planning and succession planning;
- grievances, complaints, whistleblowing and misconduct (which we have reviewed in Project 9);
- diversity; and
- staff exit procedures.

We agree with TasTAFE's assessment that policy gaps exist in these areas. We also identified gaps in relation to classification of positions, induction and ongoing training, and terminations.

We have determined those HR functions that would normally exist in a public-sector body and conducted a review of those particular areas against what is currently in place at TasTAFE.

Our gap analysis is illustrated in the diagram on the following pages. It has been shaded in accordance with the following legend:

Legend	TasTAFE policies/procedures exist.	Some TasTAFE policies/ procedures but coverage is incomplete.	No TasTAFE policy/procedure. TasTAFE relies on Employment Directives (EDs), State Service Management Office (SSMO) and/or DoE policy.	No identifiable policy/ procedure.
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HR Functions	Relevant processes					
HR Governance	Develop and maintain HR policies and procedures	Embed policies and procedures	Monitor compliance	Quality assurance	WHS governance	Report to TasTAFE CEO and Board
Workforce planning	Vacancy control and Internal Establishment Management	Succession planning		Industrial relations including negotiation of Awards	Strategic workforce planning including restructures	
Recruitment	Classification (including Fixed Term/ Permanent)	Recruitment	Selection	Pre-employment checks	Appointment, remuneration and allowances	Advice and support
Staff support	Induction		Payroll		Remuneration and allowances	Behaviour/ conduct standards
	Diversity	Reasonable adjustment		Entitlements and discretionary benefits	Other employee support	Advice and support
Work Health & Safety	Safe systems of work		Workplace injuries and incidents		Return to Work	WHS records (Register of Injuries)
People development	Staff training and professional development			Promotion (including conversion from Fixed Term to Permanent)		Secondments
Managing problems	Managing underperformance		Misconduct		Grievances	Bullying / harassment
	Whistleblowing (Public Interest Disclosures)			Industrial relations (individual disputes)		Advice and support
Departure	Resignation	Retirement		Redundancy	Dismissal	Advice and support
Administration	Record-keeping for all of the above				Administrative support for the above processes	

## 5 Detailed Findings and Recommendations

The following tables outline our detailed findings and recommendations. We have provided findings in two (2) sections:

- Governance and Policy
- Compliance results

## 5.1 Governance and Policy

The following table sets out our detailed findings and recommendations with management responses in respect of the policy framework:

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.1.1	HR Policy Function	<p>No single team has ownership of developing, implementing and reviewing HR policies and procedures. The exception is WHS, which has been specifically resourced within People Culture &amp; Safety since 2012.</p> <p>The Business Partnership Agreement states that “TasTAFE will manage the implications of Government HR Policy and ensure that TasTAFE specific HR related policies, procedures and related administrative processes are implemented” (p.37). Under the <i>State Service Act</i> and EDs, TasTAFE’s CEO is responsible for HR policies and procedures.</p> <p>The TasTAFE “Policy and Procedure Framework” (PPF) procedure sets out roles and responsibilities in relation to TasTAFE’s overall policy and procedure framework. Business Systems &amp; Reporting administers the framework, but the relevant member(s) of the Executive and Senior Manager(s) for the relevant portfolio are responsible for policy development and content.</p> <p>There is no documented procedure or formal allocation of roles for HR policies and procedures within TasTAFE. People Governance &amp; Strategy, Employee Relations and People Culture &amp; Safety all recognise the need for a comprehensive HR policy and procedure framework but are not formally designated or resourced to develop, manage and oversee it. To the extent that HR policy functions are performed within these groups, this occurs on an ad hoc basis alongside other core tasks.</p> <p>The incoming Chief Financial Officer will be responsible for managing TasTAFE’s overall policy and procedures framework. It is unclear whether this will include direct responsibility for the HR policy and procedures framework.</p>	We recommend the formal establishment of an HR policy function within TasTAFE and that the function be adequately resourced.	Management accepts this recommendation. A process to recruit additional resources for this function is about to commence.

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
5.1.2	Policy Approval	<p>Approval processes for TasTAFE policies do not include review by the Board or a Board subcommittee to ensure that the policy meets TasTAFE's needs and/or is relevant.</p> <p>Within the agency, the TasTAFE "Policy and Procedure Framework" (PPF) procedure identifies appropriate criteria for the Executive to review policies/procedures, including ensuring consistency with legislation, by-laws, Treasurer's Instructions and Cabinet decisions.</p> <p>For such a review to be effective, the person reviewing the policy/procedure requires in-depth knowledge and/or an appropriate briefing about the applicable legal and whole of government policy frameworks. We were informed that, previously, Executive approval was relatively informal, but is now a more formal process that is appropriately documented. We understand that the member of the Executive to whose portfolio a policy relates is responsible, along with the relevant Senior Manager, for the accuracy of the content of policies, thus ensuring the input of subject matter experts. We were also informed that TasTAFE's policy and procedure templates are being updated to require reference to applicable Treasurer's Instructions. These are positive developments, however we note that:</p> <ul style="list-style-type: none"> <li>the PPF procedure does not require that draft policies be accompanied by a briefing note to assist other members of the Executive to contribute effectively to the review and approval process; and</li> <li>to our knowledge TasTAFE does not have a compliance register or a checklist to support the Executive in reviewing draft policies and procedures.</li> </ul>	<p>We recommend that TasTAFE review its internal processes for HR policy approval to ensure that they are effective and are being followed.</p> <p>There is an opportunity for TasTAFE to utilise the HR policy framework as a mechanism to ensure that TasTAFE complies with legal/ regulatory requirements and that TasTAFE processes are efficient, effective and aligned with strategic objectives.</p> <p>We also recommend that the Board be involved in developing and approving a suite of Board-level TasTAFE policies which provide clarity on the policy framework and responsibilities of the Board within TasTAFE.</p>	<p>Management accepts these recommendations and will review existing processes to implement them.</p> <p>TasTAFE management will consult with the Board on implementation of the recommendation about their involvement in the approval process of Board-level policies.</p> <p>The TasTAFE Compliance Register is currently being reviewed and updated.</p>

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.1.3	Incomplete policy framework	<p>TasTAFE HR personnel within the Employee Relations, People Culture and Safety and People Governance &amp; Strategy teams identified whole areas where there is currently no framework or an inadequate framework, including:</p> <ul style="list-style-type: none"> <li>• non-financial delegations;</li> <li>• strategic workforce planning and succession planning;</li> <li>• classification of positions;</li> <li>• induction and ongoing training;</li> <li>• diversity;</li> <li>• managing underperformance;</li> <li>• grievances, complaints, whistleblowing and misconduct (which we have reviewed in Project 9); and</li> <li>• staff exit procedures/ terminations.</li> </ul> <p>Employee Relations maintains a spreadsheet of HR policies, procedures and guidelines and review dates. This is good practice but could be enhanced by listing policies against HR functions to highlight gaps.</p> <p>Historically, where TasTAFE has no policy or procedure of its own, the practice has been to rely on DoE policies. However, due to the significant differences between the structure and functions of the two agencies, it is often not possible to apply DoE policies to the TasTAFE context.</p> <p>Where HR policies and procedures do exist, we identified some gaps in coverage of applicable legal frameworks. Our specific findings in relation to TasTAFE's vacancy control, performance management and termination policies and procedures are set out section 5.2 below. In Project 9 we also identified similar gaps in the misconduct policy framework.</p>	<p>We recommend a detailed gap analysis of TasTAFE's HR policy and procedure framework be carried out, measured against its compliance obligations.</p> <p>We recommend that where TasTAFE does not have a current policy document in place it may be appropriate to use whole of government templates.</p>	Management accepts these recommendations and will progress their implementation.

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.1.4	Implementation and communication	<p>Once approved, new policies are communicated to managers and staff via the intranet and the inclusion of a note in the Message from the CEO indicating the existence of the new or updated policy. This is consistent with the TasTAFE “Policy and Procedure Framework” (PPF) procedure, which allocates this responsibility to TasTAFE’s Marketing Media &amp; Communications team.</p> <p>The PPF procedure does not require or allocate responsibility for developing and delivering training or more targeted communications to educate managers (or other staff) about their specific responsibilities under new policies or procedures.</p> <p>TasTAFE has a decentralised HR function, where Education Managers and other non-HR managers carry out HR processes that are subject to detailed statutory and whole of government policy requirements. In this context, it is especially important that managers receive training in, and confirm their awareness of, applicable HR policies and procedures. We found that there has been both a lack of resources and, at times, a lack of high-level support for training and targeted communications to managers about their obligations under HR policies and procedures.</p> <p>We understand that, recently, when implementing a new (non-HR) policy, TasTAFE has delivered training directly to relevant managers and is developing an e-learning module which will be mandatory for all relevant personnel, in addition to the other communication mechanisms described above. This is good practice.</p>	<p>We recommend that TasTAFE review its Policy and Procedure Framework procedure to ensure that it contains effective measures for policy and procedure implementation and communication, in particular, through appropriate training for and sign-off by relevant managers and staff.</p> <p>We recommend that TasTAFE ensure that adequate resources are available for implementation of HR policies and procedures, in particular, training of Education Managers and other managers who routinely perform HR functions.</p>	<p>Management accepts these recommendations and will progress their implementation.</p> <p>The implementation of HR policies and procedures will form part of the duties for the additional resource about to be recruited to assist the implementation of the recommendations in this report.</p>

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
5.1.5	Monitoring and evaluation	<p>Monitoring processes are lacking or absent, with no formal HR policy oversight function. There is a need for formal feedback loops and oversight mechanisms such as breach registers and internal complaints data and internal audit. These measures would enable TasTAFE's Board and senior management to identify issues, ensure compliance and facilitate timely reviews.</p> <p>The TasTAFE "Policy and Procedure Framework" (PPF) procedure stipulates that Senior Managers are to "determine their own processes for monitoring, resourcing and regularly reviewing policies and procedures". In our view, at least in relation to HR policies and procedures, this function should be performed at a whole of agency level.</p> <p>Employee Relations personnel have received good support from DoE Payroll in providing data that they need. However, there are longstanding systems issues that prevent DoE from providing TasTAFE with location-based (as opposed to agency-wide) data.</p> <p>Within TasTAFE, there is limited centralised HR record-keeping or data collection. This severely limits the ability of human resources personnel to monitor compliance with procedures (eg completion and review of performance management plans).</p> <p>There are no systematic mechanisms within TasTAFE to reliably and efficiently gather and analyse feedback on HR policies and procedures.</p>	<p>We recommend that the Board take an active role in monitoring compliance with HR policies and procedures.</p> <p>We recommend that TasTAFE develop or utilise oversight mechanisms such as centralised compliance data collection, breach registers and internal complaints data to monitor compliance with HR policies and procedures.</p> <p>We recommend that TasTAFE develop effective systems to reliably and efficiently gather and analyse feedback on HR policies and procedures.</p>	<p>Management accepts these recommendations.</p> <p>Tas TAFE management will consult with the Board on implementation of the recommendation about their role in monitoring compliance with HR policies and procedures.</p> <p>A review of resources and functions will be undertaken to identify available resources to implement these recommendations.</p>

## 5.2 Compliance

In this section we outline the results of our testing of three (3) specific TasTAFE policies in relation to:

- (1) Vacancy control,
- (2) Performance management and
- (3) Terminations.

We have evaluated each of the three (3) policies against the testing criteria are set out in section 4.1. Our findings are outlined below and summarised in tables. The tables are shaded in accordance with the following legend:

Legend	Compliant.	Low risk / minor improvement possible.	Medium risk / partial compliance.	High risk / non-compliant
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### 5.2.1 Vacancy Control

We reviewed the following vacancy control policies and procedures:

- Vacancy Establishment Management Procedure (VEM Procedure);
- Selection Procedure; Recommended Steps and Timeframes for Filling Advertised Vacancies;
- Vacancy Establishment Management Form (VEM Form); and
- Staff Movement Advice Form.

TasTAFE Employee Relations personnel advised that they also refer to Employment Direction (ED) 1, ED17 and State Service Management Office (SSMO) secondment forms.

Overall the vacancy control policies and procedures are relatively comprehensive and well-integrated. Our findings are illustrated in the table below.

Criteria	Findings – Vacancy Control Policy Framework				
Comprehensive	Overall framework	Integration	Whole process	Relevant laws and policies	Policy guidance
Compliant	Legal	Best practice	Practical	Monitoring	
Robust	Transparent		Effective		Efficient
Responsibilities	Management functions	Appropriate allocation	Individual responsibilities	Authorisation	
Currency	Review	Responsibility	Approval	Version control	

We identified the following opportunities for improvement:

- The VEM Procedure and VEM Form do not refer to or address Managing Positions in the State Services<sup>1</sup> (MPSS) requirements, in particular, the requirement to circulate vacancies to the interagency pool before any external recruitment can commence. However, we were informed that this is done in practice.
- The VEM Procedure does not provide adequate guidance about how to decide whether to offer a position on a Fixed Term or Permanent basis.
- The VEM Procedure and VEM Form do not identify or refer to the additional requirements of ED17 and ED18.
- There is no policy or procedure to prompt or guide decisions about converting Fixed Term to Permanent employment (cf ED9).
- Conflicts of interest are only addressed in relation to Selection Panels and not in relation to vacancy control processes.
- Our data analytics indicate that 59% of Tas TAFE's staff are over 50 years of age, with 18% due to retire in the next 5 years or already past retirement age. This highlights the need for strategic workforce planning which is not covered in the current policy framework.

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<sup>1</sup> A document issued by the Department of Premier and Cabinet through the State Service Management Office (SSMO) to assist Heads of Agencies to meet the Government's commitment to reduce employment costs as well as to have a more productive and effective Tasmanian State Service through reducing employee related expenses.

### 5.2.2 Performance Management

We note that the Business Partnership Agreement (BPA) with Department of Education (DoE) does not specifically allocate responsibility for performance management to either DoE or TasTAFE. However, under the Employment Directions and the *State Service Act 2000*, this function is conferred on the Head of Agency (TasTAFE CEO).

We reviewed the following TasTAFE performance management policies and procedures:

- Capabilities and Values Framework;
- myPLAN Performance and Development Policy;
- myPLAN Guideline; Planning – Part A; Monitoring – Part B; Assessing My Goal Achievement – Part C;
- Education Manager’s Guide & Resources Kit;
- How to Guide – My Development;
- How to Guide – Setting SMARTA Objectives;
- How to Guide – Effective Self Review; and
- Frequently Asked Questions.

For the purposes of the audit, we were referred to the above MyPlan documents and Employment Direction (ED) No 26. We note that ED6, ED17 and ED18 and the SSMO *Managing Performance* directive are also relevant to performance management.

We found that the TasTAFE policy *Capabilities and Values Framework* clearly articulates expected standards of behaviour and performance at different bands. Also, the MyPlan system for “Managing Performance” is a good initiative. However, human resources personnel are aware of difficulties with implementation, including the need to provide training about how to have performance management conversations, reduce the administrative burden associated with the system and develop a mechanism to oversee the system to ensure plans are completed and reviewed as required. Personnel also acknowledged that TasTAFE currently has no policy or procedure for managing underperformance. Our findings are illustrated in the following table.

Criteria	Findings – Performance Management Policy Framework				
Comprehensive	Overall framework	Integration	Whole process	Relevant laws and policies	Policy guidance
Compliant	Legal	Best practice	Practical	Monitoring	
Robust	Transparent	Effective		Efficient	
Responsibilities	Management functions	Appropriate allocation	Individual responsibilities	Authorisation	
Currency	Review	Responsibility	Approval	Version control	

We identified the following opportunities for improvement:

- The myPLAN framework does not address conflicts of interest.
- *myPLAN Performance and Development Policy* has a key performance indicator (KPI) of all staff having a performance management plan. Other relevant KPIs may include whether performance goals and/or agency business goals are being achieved and/or whether underperformance is managed effectively.
- MyPlan documentation could be improved by adding guidance about options and resources for improving performance and about what to do if performance is unsatisfactory, including referring the manager to procedures for Managing Underperformance (or ED6/ED26 and SSMO resources).
- There is no policy or procedure for managing performance of Senior Executive Officers or the Head of Agency, to whom ED17 (not ED26) applies.

### 5.2.3 Terminations

TasTAFE does not have any documented termination policies or procedures apart from a Return of Property Checklist and a calculation template.

Employee Relations advised that, in practice, they follow ED5 (Code of Conduct investigations), ED6 (investigations into efficient and effective performance of duties) and *Managing Positions in the State Service* (MPSS), which addresses Targeted Negotiated Voluntary Redundancies (TNVR) and Workforce Renewal Incentive Payments (WRIP).

Whilst the use of relevant whole of government policies is appropriate, the reliance on generic policy documents with no TasTAFE-specific guidance creates a high risk of non-compliance. The EDs and MPSS do not address legal requirements arising under the Commonwealth *Fair Work Act 2009*, taxation and superannuation laws, applicable Awards, Enterprise Agreements and individual instruments of appointment. Nor do they address the non-financial aspects of termination, such as exit interviews and retention of corporate knowledge. Our findings are summarised in the following table.

Criteria	Findings – Terminations Policy Framework				
Comprehensive	Overall framework	Integration	Whole process	Relevant laws and policies	Policy guidance
Compliant	Legal	Best practice	Practical	Monitoring	
Robust	Transparent	Effective		Efficient	
Responsibilities	Management functions	Appropriate allocation	Individual responsibilities	Authorisation	
Currency	Review	Responsibility	Approval	Version control	

Under the Business Partnership Agreement (BPA) between TasTAFE and DoE, the allocation of responsibilities in respect of terminations is as follows:

- TasTAFE is responsible for Workforce Renewal Incentive Payments (WRIP), Separations and Advice (BPA p.30, 32, 38); and
- DoE is responsible for calculations and payroll functions (BPA p.30, 31, 32).

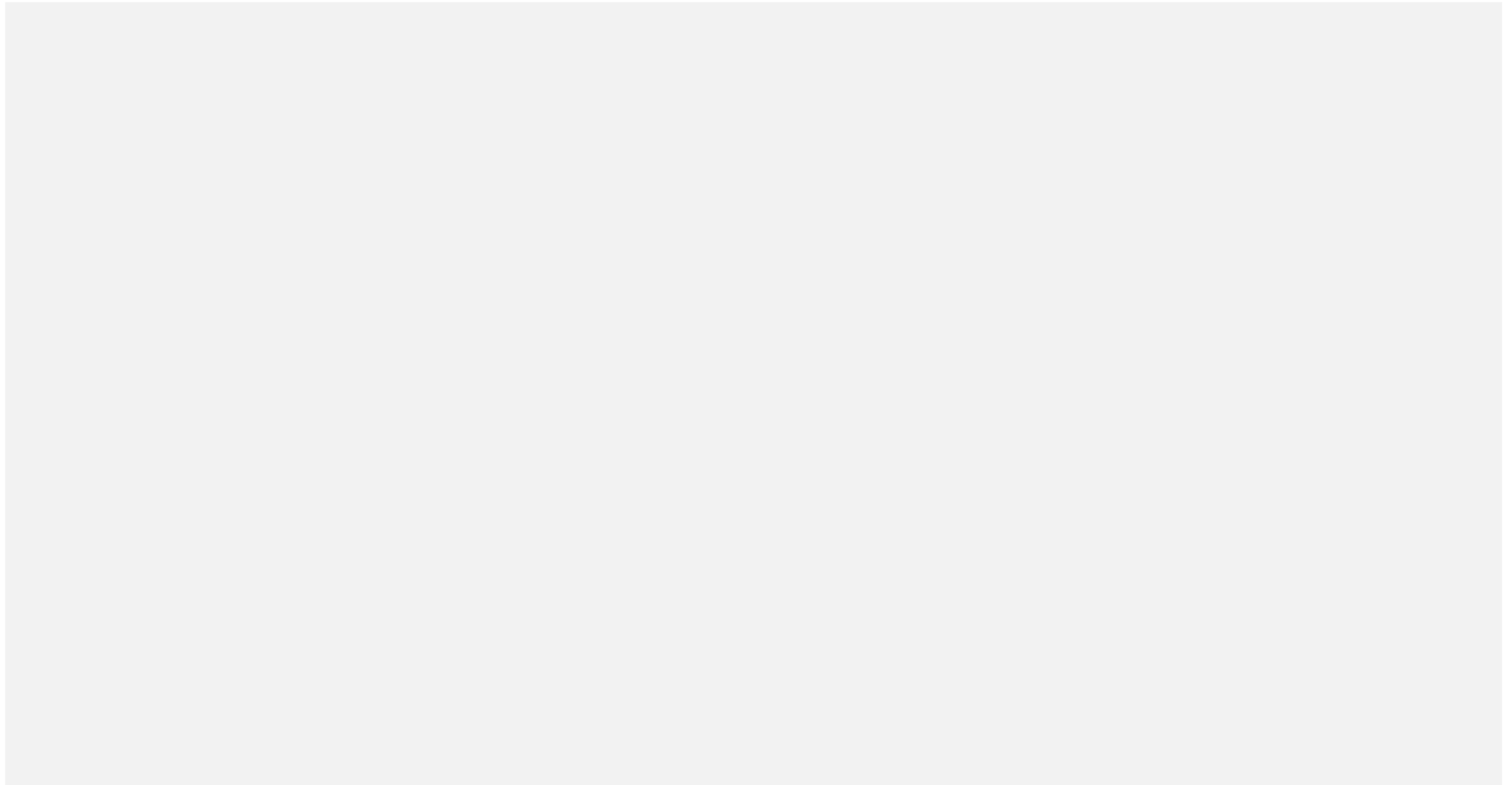
The BPA is silent on which agency is responsible for verifying and approving termination payments or for retaining termination records, including Deeds.

We were informed that DoE Payroll prepares retirement and leave calculations but does not perform calculations for Targeted Negotiated Voluntary Redundancies (TNVR) or Workforce Renewal Incentive Payments (WRIP).

TNVR calculations are performed by TasTAFE Employee Relations staff using the TNVR Calculator spreadsheet, then cross-checked by a colleague or manager. WRIP calculations are performed following the guidance in MPSS. We found that neither the TNVR Calculator nor the MPSS addresses taxation or superannuation and that Employee Relations personnel are not trained in payroll.

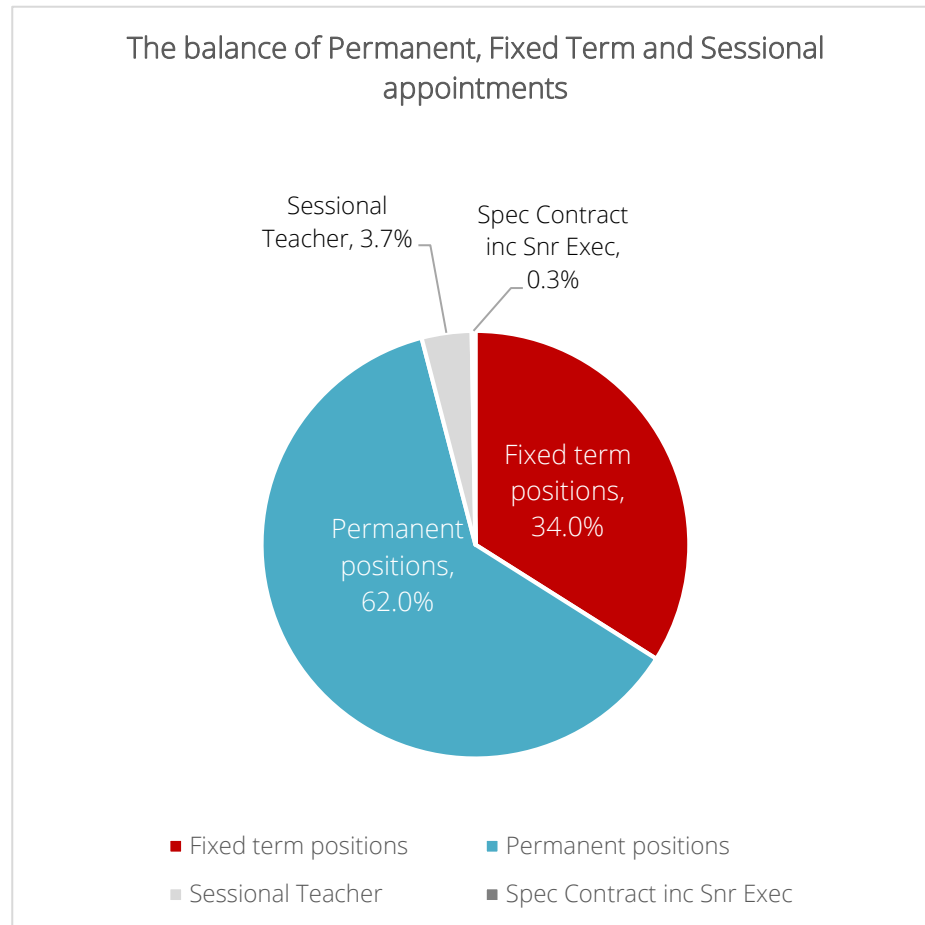
We consider that the current arrangements for TNVR and WRIP calculations carry a high risk of material errors.

## 6 Appendices



## 6.1 Data Analytics

As part of our scope we reviewed employee data held by TasTAFE or DoE to understand the mix of employment, including permanent versus full-time. Overall, we found the data sources were not provided in a format that allowed analysis over a three-year period, as was intended in our review. As a result, our analysis is limited and can only form part of a general observation. We set out the results of our data analysis, illustrated in the graphs below.



### Permanent and Fixed Term Positions<sup>1</sup>

The majority of positions are Permanent, although a significant minority of positions (34%) are Fixed Term appointments.

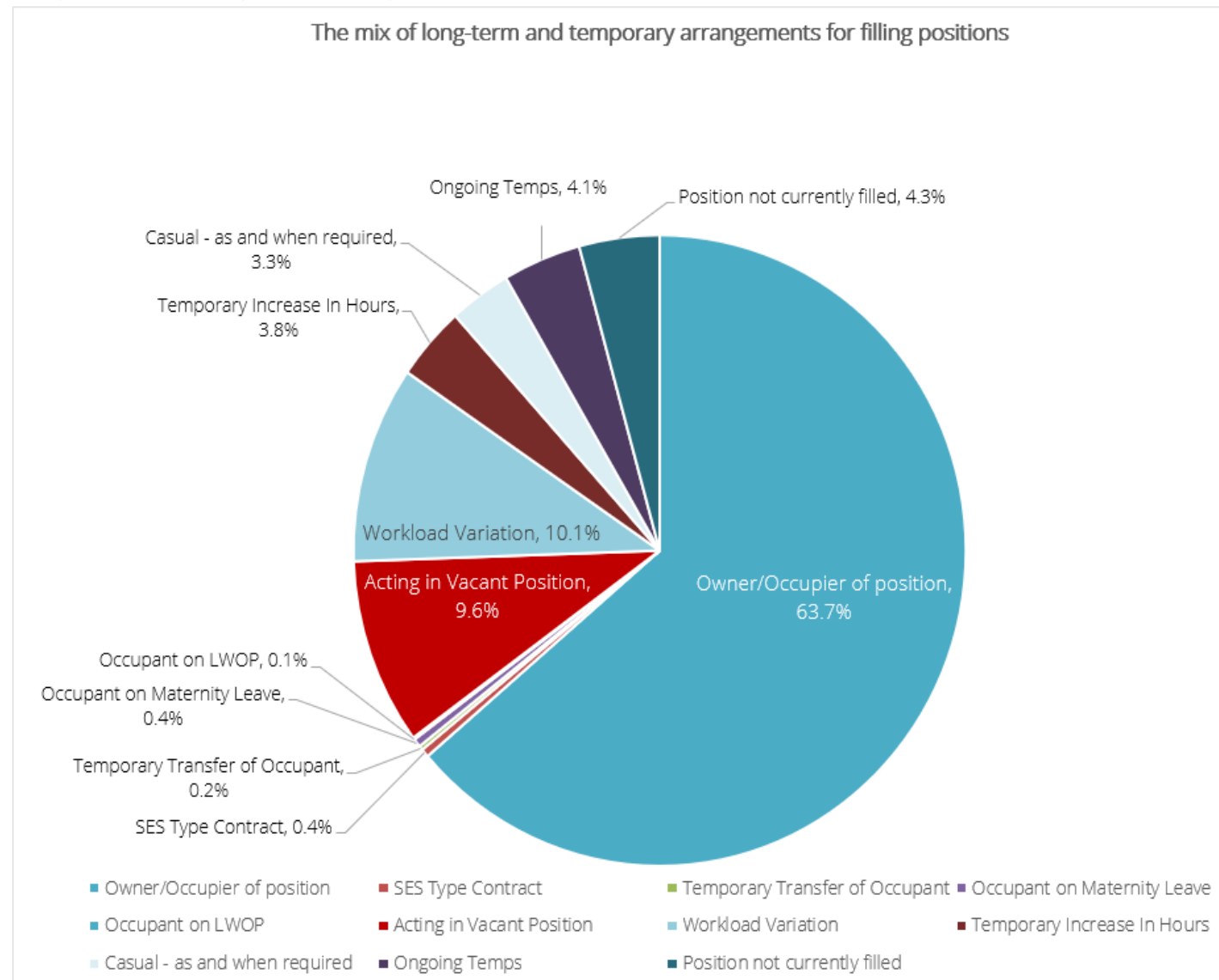
This mixture appears to be consistent with Employment Direction No. 1, [7.1] which states:

*"Permanent employment is the usual form of employment in the State Service. However, where necessary to meet the operational needs of an Agency, fixed-term employees may be appointed for a specified term or for the duration of a specified task".*

Given the need for TasTAFE to be able to adapt to the changing training requirements of industry and the Tasmanian community, a relatively higher proportion of fixed term appointments may be appropriate.

Due to the quality of the data provided we were unable to identify positions which had been repeatedly filled and re-filled on a fixed term basis.

## Long Term and Temporary Arrangements



This chart illustrates the mixture of long-term and temporary arrangements for filling positions.

Approximately one in six positions – 14% – are vacant, either with someone acting (10%) or unfilled (4%).

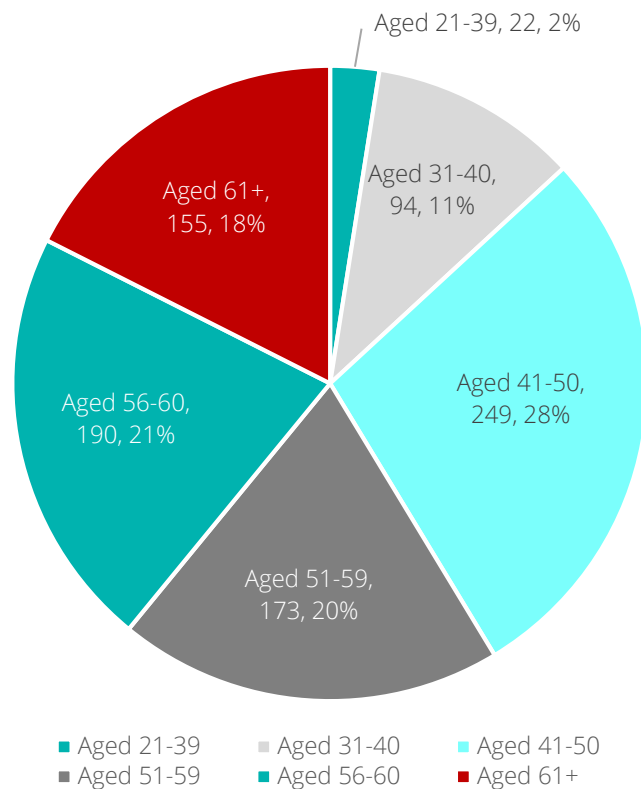
Other temporary arrangements in place for 14% of positions, with “workload variations” (10%) or temporary increases in hours (4%).

The proportion of vacant roles and the use of short-term arrangements may reflect appropriate use of policies that enable some flexibility in managing the workforce and/or may reflect a lack of HR resourcing to actively manage the workforce.

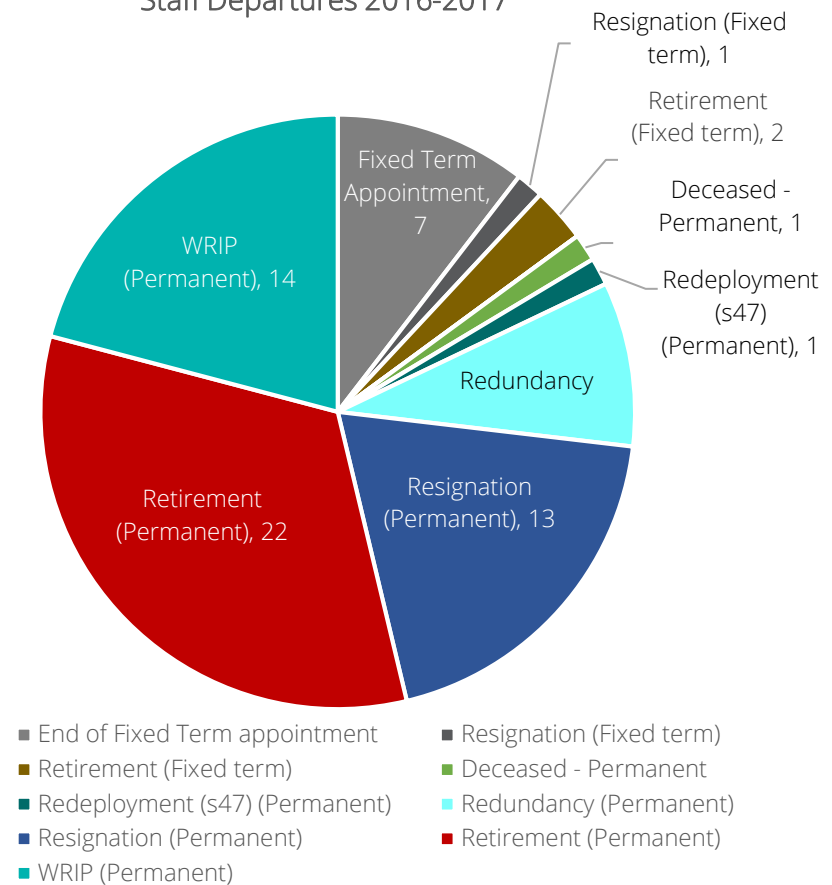
## Age Distribution and Staff Departures

The following charts highlight the value of data analysis in strategic workforce planning. We found that 59% of TasTAFE's staff are over 50 years of age, with 18% due to retire within the next 5 years or already past retirement age. Consistent with this profile, most separations are due to retirement (22 Permanent, 2 Fixed Term).

Age distribution of TasTAFE employees highlights the need for succession planning



Staff Departures 2016-2017



## 6.2 Approach




To complete this review, we did the following:

- Reviewed relevant legislation, policies and best practice principles in relation to the sample policy areas selected (namely, vacancy control, performance management and terminations);
- Assessed TasTAFE HR policies and procedures for the sample areas against relevant legislation, policies and best practice principles;
- Performed a gap analysis to identify areas where HR policy coverage is lacking;
- Met with key staff involved with developing and maintaining HR policies and procedures;
- Identified and assessed significant risks within the human resources policy development and maintenance process;
- Performed data analytics on the employee data to understand the mix of employment including permanent versus full-time; and
- Documented and reported findings.

The agreed scope also included the selection of a small sample of examples of each process in the last 12 months to confirm our understanding of the processes undertaken and compliance with policy. In light of certain findings, we determined that it was unnecessary for the purposes of this audit to conduct the sample testing. This decision was based on our findings that: there is no formal HR policy function within TasTAFE; there are essentially no TasTAFE terminations policies/procedures (although processes do exist); the issues with the performance management framework are known to HR personnel and they acknowledged that there is no framework for managing underperformance; and the extensive testing of vacancy control that we conducted as part of our previous audit of recruitment (Project 1).

## 6.3 Risk Rating Criteria

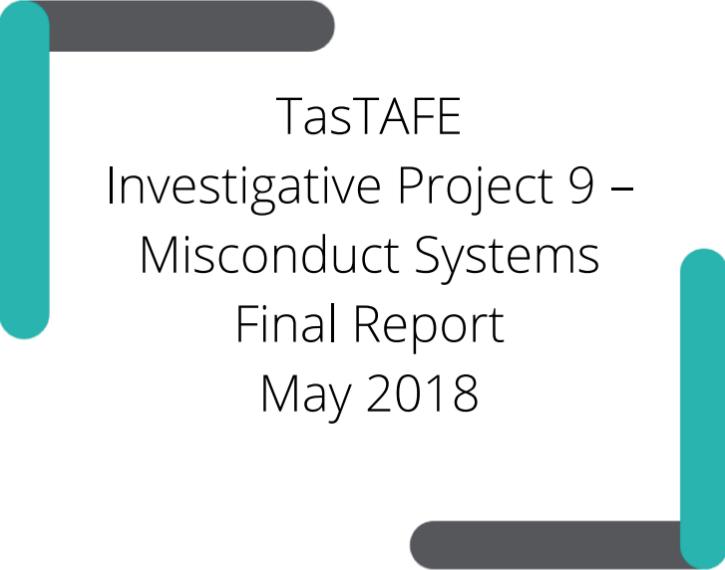
Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management. A high risk of financial loss, impairment of operations or misrepresentation of financial or operational results.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward



TasTAFE  
Investigative Project 9 –  
Misconduct Systems  
Final Report  
May 2018

## Contents

1	Executive Summary .....	2
2	Context, Background and Scope.....	3
3	Summary of Findings.....	4
3.1	Process Maturity Assessment.....	4
4	Detailed Findings and Recommendations.....	5
4.1	Governance and Policy.....	6
4.2	Internal Controls.....	13
4.3	Compliance Testing.....	14
5	Appendices .....	19
5.1	Approach .....	20
5.2	Policy Framework.....	21
5.3	Risk Rating Criteria.....	22

# 1 Executive Summary

## Our Focus

We assessed practices followed for misconduct within TasTAFE, with particular focus on the following areas:

- Systems in place to identify misconduct;
- Reporting processes;
- Management and investigation of misconduct; and
- Outcomes and follow up of misconduct reviews.

The scope of this project was to review the governance structures, processes, and internal control environment surrounding misconduct within TasTAFE, and where possible, we assessed the level of compliance within the policy framework relevant to misconduct.

## What is Working Well

We found the following elements are working well:

- There are a number of policies in place that capture misconduct issues.
- Registers exist that log complaints received through different channels.
- Workplace Health and Safety matters are logged and assigned a number to ensure the matter is progressed.
- There are forms in place to assist in the investigation process.

## Findings

### High

Overall, we found the policy framework is inadequate for the purposes of ensuring all matters of misconduct are identified and investigated.

We found there was a lack of understanding of the policy framework by staff for the specific purpose of identifying misconduct matters.

There is a risk that misconduct matters are not being captured initially by managers prior to a formal complaint being raised. There was anecdotal evidence that misconduct matters are often dealt with informally.

Outside of the Workplace Health and Safety systems in place, misconduct matters are not being risk assessed or classified in terms of which policy may apply.

There are deficiencies in relation to monitoring and reporting of misconduct matters relating to the way in which information is logged and classified.

## Our Recommendations

We have identified opportunities for improvements to the current arrangements. Specifically, we recommend:

- Improving the policy framework with specific focus on updating the specific legal requirements in place;
- Simplifying the framework with the addition of flowcharts and decision trees to assist in implementation;
- Using a consistent risk-based framework across all categories of misconduct;
- The use of an agency-wide register for recording allegations of misconduct;
- Ensuring all policies are consistent particularly for escalation of matters and the regularity of reporting to the Board;
- That the Department of Education (DoE) policy currently adopted by TasTAFE for Public Interest Disclosures is replaced with a policy that makes specific reference to TasTAFE's organisational arrangements;
- Once the policy framework is enhanced, that training is provided to managers and responsible officers to ensure policy requirements are implemented effectively; and
- That TasTAFE considers identifying key staff for the purposes of triaging complaints initially and making an assessment of which policy requirements may apply to the matter.

## 2 Context, Background and Scope

### Context and Background

Misconduct is defined, for the purposes of this review, as unacceptable or improper behaviour. To be judged as misconduct there will be an allegation to investigate either through a complaint, a grievance or the whistle-blowing avenues.

TasTAFE's obligations in relation to misconduct arise from multiple sources including: *Standards for Registered Training Organisations 2015 ("RTO Standards")*; *State Service Act 2000 ("SS Act")*, Code of Conduct (s. 9), *State Service Regulations 2016* and *Employment Directions (EDs)*; *Treasurer's Instructions (TIs)*; *Work Health and Safety Act 2012 ("WHS Act")*; *Anti-Discrimination Act 1998 ("AD Act")*; *Public Interest Disclosures Act 2002 ("PID Act")*; *Registration to Work With Vulnerable People Act 2013 ("WWVP Act")*; criminal law; and other laws.

Sections 9 and 10 of the *SS Act* and the *Employment Directions* (especially EDs 2, 5, 23 and 27) are of particular relevance to this review. Other relevant laws and policies include the *Anti-Discrimination Act 1998*, *Work Health and Safety Act 2012* and the *Standards for Registered Training Organisations*, especially Standard 6.

TasTAFE has a number of relevant policies and procedures including *Bullying and Harassment Policy and Procedure*, *WHS Hazard/Incident Reporting Procedure*, *Feedback, Complaints & Student Grievance Management Policy*, *Investigation Procedure*, *Feedback and Complaints Management Procedure*, *Grievance Resolution (Staff) Policy and Procedure*.

WLF is also conducting a concurrent project in relation to Human Resources policies and procedures. There is some overlap between the two projects. Our reports will acknowledge where any issues identified are consistent between the two projects.

### Scope

The scope of this project is to review the governance structure, processes, and internal control environment surrounding misconduct within TasTAFE, and where possible, to assess the level of compliance within the policy framework relevant to misconduct.

We will review the four stages of this assessment process, being:



Specifically, we will assess practices in the following areas:

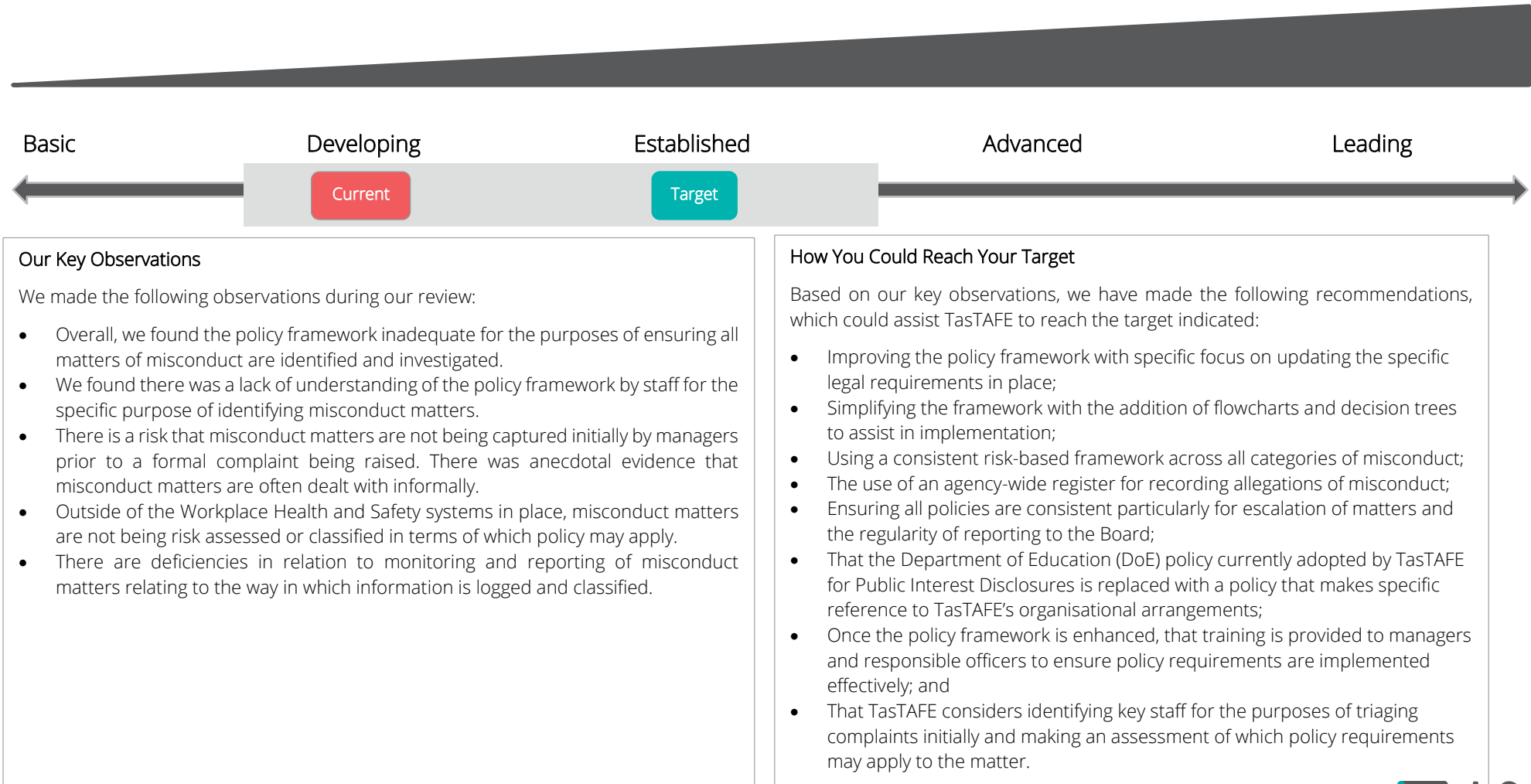
- Complaint systems – assessing processes to consider internal or external complaints where they may identify potential Code of Conduct investigations;
- Grievance management protocols – assessing processes in place for staff to raise concerns of a serious nature and having them addressed in a fair, objective and timely manner; and
- Whistle-blower protocols in place to capture any kind of information or activity that is deemed illegal, unethical or not appropriate for public bodies. We will review the framework in place to ensure protection is provided for those that make reports and ensures safe reporting for the Whistleblower.

We will assess whether investigation procedures are in line with ED 5 – Procedures for the investigation and determination of whether an employee has breached the Code of Conduct.

## 3 Summary of Findings

### 3.1 Process Maturity Assessment

Based on our review of the processes, systems and documentation we have assessed the maturity of TasTAFE's misconduct systems as follows:



## 4 Detailed Findings and Recommendations

The scope of this project was to review the governance structure, processes, and internal control environment surrounding the management of misconduct within TasTAFE, and where possible, assess the level of compliance within the policy framework relevant to misconduct.

In this section of the report we set out our detailed findings and recommendations. We have provided findings in three (3) sections:

- Governance and Policy
- Internal controls
- Compliance testing

## 4.1 Governance and Policy

The following table sets out our detailed findings and recommendations with management responses in respect of the policy framework. The relevant policies and procedures are listed in Appendix 5.2.

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
4.1.1	Policy Framework	<p>Overall, we found that TasTAFE's misconduct-related policies:</p> <ul style="list-style-type: none"> <li>• are focussed on the source of the report (staff/student or WHS incident) rather than the type of misconduct or applicable Acts;</li> <li>• do not identify mandatory reporting requirements, except for WHS notifications to WorkSafe. Other requirements (e.g. <i>WWVP Act</i> s. 53A, TI No. 301) are not identified;</li> <li>• do not highlight forms of misconduct that may be criminal and do not include guidelines or requirements for reporting matters to police;</li> <li>• do not sufficiently identify or conform to applicable legal requirements, identify points of overlap between applicable laws, explain how to determine which Act/s and process/es are to be followed, or establish processes that ensure that misconduct reports are dealt with in ways that meet legal requirements; and</li> <li>• do not adequately identify the range of potential sanctions or criteria for determining what sanctions are appropriate.</li> </ul>	<p>We recommend that TasTAFE:</p> <ul style="list-style-type: none"> <li>• Identify applicable legislation and other legal requirements in relation to misconduct;</li> <li>• Review its policy and procedure framework against the identified legal requirements to identify gaps in the policy framework; and</li> <li>• Update existing policies and/or develop new policies to address identified gaps in the misconduct framework.</li> </ul>	Management accepts these recommendations and will progress their implementation.

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
4.1.2	Completeness of the framework	<p>Misconduct under the Code of Conduct and other applicable laws can be broadly divided into interpersonal misconduct (bullying, discrimination etc) and misconduct against the organisation (e.g. misuse of resources, corruption).</p> <p>TasTAFE's Bullying and Harassment framework provides reasonable coverage of these two forms of interpersonal misconduct. It refers to the <i>WHS Act</i> and <i>AD Act</i> but has inadequate coverage of criminal law and the <i>WWVP Act</i>.</p> <p>The staff grievance/ student complaints processes, which can include reports about interpersonal and/or organisation-related misconduct, are not sufficiently linked to applicable laws.</p> <p>Misconduct against the organisation is not effectively addressed by any of the policies or procedures that TasTAFE identified as relating to misconduct. Specific gaps were identified in relation to the Public Interest Disclosures Policy, further described at section 4.1.7.</p> <p>We generally found a lack of understanding of the policy framework particularly in relation to misconduct. We observed for example that in two cases we sampled, the matter could have involved a Code of Conduct matter however they were dealt only as a WHS incident/hazard. Anecdotally, managers cited the sufficiency of the policy framework and the training provided to investigating officers as reasons for not identifying secondary issues within cases.</p>	<p>We recommend that the policy framework sufficiently details the relevant aspects of the legislation that is being applied to the category of misconduct alleged.</p> <p>Once the policy framework has been enhanced, we recommend training is provided to managers and investigating officers to assist in explaining the framework and highlighting the various policies and procedures that may be relevant.</p>	<p>Management accepts these recommendations and will progress their implementation.</p>

Major Findings – Governance and Policy				
Ref	Description	Details	Recommendations	Management Comment
4.1.3	Misconduct systems are not integrated	<p>TasTAFE's misconduct systems comprise at least 11 documents, namely, 9 TasTAFE policies and procedures, 1 DOE policy and one 1 ED (collectively, "the misconduct policies"), which were provided for the purposes of this review.</p> <p>We observed a lack of understanding within TasTAFE of what constitutes its misconduct systems. For example, we are aware of other TasTAFE policies and procedures that are relevant to misconduct (eg Conflicts of Interest Policy, Gift Register) but which were not provided to us in connection with this review.</p> <p>There is no overarching document that explains:</p> <ul style="list-style-type: none"> <li>• the types of misconduct that may occur;</li> <li>• the impact on TasTAFE of misconduct (including financial, legal, human, service delivery and reputational effects);</li> <li>• which laws apply to different types of misconduct and the links to the applicable policies and procedures;</li> <li>• the relationship between the policies and procedures, including how they are intended to operate together if a report involves multiple forms of misconduct and/or attracts the operation of several different laws.</li> </ul> <p>Cross-referencing between the misconduct policies is limited, in the form of listing related documents. There are no direct references within policies to the requirements of related policies.</p>	<p>We recommend that TasTAFE develop an overarching misconduct flowchart that explains:</p> <ul style="list-style-type: none"> <li>• the relationship between the policies and procedures;</li> <li>• when multiple policies apply, whether some policies take priority or whether the policies operate in parallel;</li> <li>• lines of responsibility, including requirements and processes to escalate complaints and refer to outside agencies; and</li> <li>• confidentiality, access controls and record-keeping arrangements.</li> </ul> <p>The overarching policy should incorporate visual tools such as flowcharts and decision trees to assist implementation.</p>	<p>Management accepts these recommendations and will progress their implementation. The respective areas currently responsible for managing misconduct claims will work together to develop these tools.</p>

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
4.1.4	Risk based approach	<p>TasTAFE's WHS framework has risk-based Categories A, B and C with associated procedures, escalation and timeframe requirements. There is no equivalent risk-based framework for misconduct policies/procedures in terms of:</p> <ul style="list-style-type: none"> <li>• Risk to complainant (from the alleged conduct or potential repercussions of complaining);</li> <li>• Risk to organisation (liability to complainant, liability to others, breach of laws, reporting obligations); and/or</li> <li>• Seriousness of alleged conduct.</li> </ul>	<p>We recommend that a consistent risk-based framework be used across all categories of misconduct. This could be used to assist decision making in respect of:</p> <ul style="list-style-type: none"> <li>• which policy/procedure framework to apply;</li> <li>• when to escalate and to whom;</li> <li>• confidentiality / access;</li> <li>• other protections that may need to be put in place;</li> <li>• referral to outside agencies including Police, Ombudsman, and Integrity Commission; and</li> <li>• Identifying when legal advice may be needed.</li> </ul>	Management accepts these recommendations and will progress their implementation.

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
4.1.5	Agency-wide reporting and monitoring	<p>We found several deficiencies in relation to monitoring and reporting of misconduct processes within TasTAFE, namely:</p> <ul style="list-style-type: none"> <li>• The policies do not require that the Board be notified of misconduct matters (except for Category A WHS incidents) or provided with misconduct data;</li> <li>• There is no agency-wide register of all misconduct matters to enable monitoring or identification of systemic issues, patterns or trends. We received data from 3 registers (Hazards/ Incidents, Personal Injuries, and Student Experience &amp; Feedback) and a list prepared by the Office of the CEO for the purposes of the audit;</li> <li>• Registers do not sufficiently categorise the types of misconduct, so it is not possible to easily extract data for prevalence and trends. For example, the WHS registers do not separately identify “Bullying/Harassment”, which is captured within the broader category of incidents with a “Human” cause. Student Experience categories are limited to “Complaint”, “Grievance”, “Positive” and “Suggestion”;</li> <li>• Registers do not specifically identify the person(s) about whom the complaint was made, so there is no way to identify patterns of complaints against an individual; and</li> <li>• Anonymity of complainants is not adequately concealed. We found entries that listed the name of the “anonymous” complainant.</li> </ul> <p>From our interviews with staff, we found misconduct matters may be informally raised and dealt with outside of the registers in place. It is not a requirement for managers to make notes of matters raised informally, which sometimes causes difficulties if an issue is formally raised later.</p>	<p>We recommend that TasTAFE develops an agency-wide register for recording allegations of misconduct. The register should:</p> <ul style="list-style-type: none"> <li>• include risk ratings;</li> <li>• clearly identify the category(s) of alleged misconduct;</li> <li>• identify the alleged offender;</li> <li>• include effective means to protect the identity of complainants who wish to remain anonymous;</li> <li>• record escalation and referral of matters;</li> <li>• record outcomes and monitor for implementation; and</li> <li>• be periodically reviewed by the Board.</li> </ul> <p>We recommend managers be required to make notes on matters of misconduct that may be raised informally.</p>	<p>Management accepts these recommendations and will progress their implementation. The respective areas currently responsible for managing misconduct claims will work together to consolidate their registers and include the recommended detail.</p>

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
4.1.6	Inconsistencies within and between misconduct policies	<p>Inconsistencies between and within the misconduct policies lead to uncertainty and makes compliance difficult or impossible.</p> <p>For example, in relation to potential Code of Conduct breaches (ED5), the <i>Grievance Resolution (Staff) Policy</i>, <i>Feedback and Complaints Management Procedure</i>, the <i>Bullying and Harassment Procedure</i> and the <i>WHS Hazard/Incident Reporting Procedure</i> each set out different requirements for escalating matters to the CEO or other senior managers.</p> <p>We found in our compliance testing matters which could have been classified as a potential breach of the State Service Code of Conduct and/or potential breach of criminal law however these matters were not escalated to the CEO.</p> <p>An example of inconsistency within a procedure is the <i>Bullying and Harassment Procedure</i> (p.3-4) – it is unclear whether a hazard/incident report is always required or only for formal complaints.</p>	<p>We recommend that the existing policies and procedures be reviewed and, if necessary, amended to ensure that they are clear and consistent in relation to escalation protocols, for example, when and to whom and the regularity of reporting to the Board.</p> <p>We recommend that the process for developing new policies and procedures includes identifying and ensuring consistency with related policies/procedures.</p>	Management accepts these recommendations and will incorporate actions into a review of the current policy and procedure.

## Major Findings – Governance and Policy

Ref	Description	Details	Recommendations	Management Comment
4.1.7	Whistleblowing policies / Public Interest Disclosures Policy	<p>TasTAFE's <i>Public Interest Disclosures Policy</i> ("PID Policy") does not:</p> <ul style="list-style-type: none"> <li>define or give examples of the types of conduct that could give rise to a public interest disclosure or refer to related TasTAFE policies (e.g. Conflicts of Interest Procedure);</li> <li>identify TasTAFE's "principal officer" and at least one other "public interest disclosure officer" to whom a disclosure may be made;</li> <li>identify or explain the receiving person's obligations and applicable timeframes to document, assess, investigate/refer and report outcomes in relation to the disclosure;</li> <li>highlight the circumstances in which a disclosure must/may be referred to the Ombudsman, Integrity Commission or other bodies; or</li> <li>set out TasTAFE's "procedures for the protection of the welfare of a person making a disclosure" as required by s.60, <i>Public Interest Disclosures Act 2002</i>.</li> <li>The DOE <i>Public Interest Disclosures Procedures</i>, has not been adapted to TasTAFE's specific (and separate) organisational arrangements.</li> </ul>	<p>We recommend the Public Interest Disclosure Policy is personalised to TasTAFE and specifically the following is identified:</p> <ul style="list-style-type: none"> <li>A principal officer and at least one public interest disclosure officer; and</li> <li>A flowchart of the obligations and timeframes to document, assess, investigate and report outcomes. Within the flowchart also identify circumstances when a disclosure must be made to other external bodies.</li> </ul> <p>We also recommend the corresponding procedures set out the process for protection of the welfare of a person making disclosure; and that they are specifically adapted to TasTAFE's organisational arrangements.</p>	Management accepts these recommendations and will progress their implementation.

## 4.2 Internal Controls

We made the following findings and recommendations in relation to TasTAFE's internal controls framework for misconduct processes.

Major Findings – Internal Controls			
<p><b>Description of Issue:</b> Our review of misconduct systems identified that there were three places where information was captured:</p> <ul style="list-style-type: none"><li>(1) Student complaints and feedback</li><li>(2) Workplace Health and Safety (WHS)</li><li>(3) Office of the CEO/Employee Relations</li></ul> <p>Whilst there was a robust process in place for logging and assigning case numbers to WHS matters this was not the case for the staff conduct matters. Student complaint registers assign feedback identification numbers however not as a basis for managing the workflow or managing the record.</p> <p>The Office of the CEO does not maintain a register. Matters in relation to staff Code of Conduct are not logged initially when received. For the purposes of our audit, a register was collated based on historical cases that existed in the records management system.</p> <p>We also found that there was no process in place to initially assess all instances received through the various avenues of potential misconduct matters that may arise through the various systems in place. We observed for example that in two cases we sampled the matter could have involved a Code of Conduct matter however they were dealt only as a WHS incident/hazard.</p> <p>For complaints received through the WHS and the student complaints and feedback approach the applicable policies are determined by the line manager or responsible person assigned the matter. From our work on other projects, in particular HR policies and procedures, the level of training for policies and procedures is limited. There is a risk that the underlying issues of misconduct are not identified and addressed.</p> <p><b>Discussion:</b> Misconduct can manifest itself from a number of scenarios. We observed in a sample of complaints the narrative focused on an incident specifically that resulted in the complaint being escalated however there were matters documented that could be viewed as systematic issues with conduct. The outcomes and resolutions as a result of the initial assessment had in these instances focused on remedying the isolated incident and not the underlying issues. We noted in two of the seven cases we sampled instances of physical injury caused by another staff member which was dealt with under the WHS policies and procedures rather than a Code of Conduct matter and/or a criminal matter.</p>	<b>Risk Rating:</b>	<b>Medium</b> - in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls.	
		<b>Risk Type:</b>	Compliance Internal control Governance
<p><b>Recommendation:</b></p> <p>We recommend that TasTAFE determines a process for triaging complaints initially received and determining the appropriate policy and procedures that may apply. This should be performed by staff who have a high degree of understanding of the policy framework.</p> <p>We recommend training is provided to senior staff who may be requested to formally investigate complaints to ensure they would be able to identify a misconduct issue and therefore what policies and procedures would apply.</p>	<p><b>Management Comment:</b></p> <p>Management accepts these recommendations and will progress their implementation.</p>		

## 4.3 Compliance Testing

### 4.3.1 Compliance testing approach

We reviewed TasTAFE's arrangements for the four stages of the process for managing a misconduct matter, being:



Misconduct matters at TasTAFE are recorded in two registers and a list held in the Office of the CEO. For the purposes of this review, we considered the population in relation to misconduct specifically across the three categories of data: student complaints, WHS incidents, and the office of the CEO. We reviewed a three-year period from 2014 – 2017 and selected a sample based on completed misconduct investigations in that period. We were provided with the following data for each of the three categories:

	Student complaints	WHS (human causes <sup>1</sup> )	Office of the CEO	TOTAL
Number of complaints	67	11	5	83
Number sampled	3	3	1	7 (8.5%)

The table on the following page sets out our compliance program, in terms of the inherent risks at each stage of the misconduct management process and the expected actions for each stage.

---

<sup>1</sup> Complaints categorised as aggression, assault, stress.

Compliance program			
Receive	Assess	Investigate	Resolve
<b>Inherent Risks</b>			
Complaints regarding misconduct are not captured.	Allegations of misconduct are initially assessed inappropriately.	Allegations of misconduct are not investigated in accordance with policy or legislative requirements.	Outcomes or sanctions arising from the investigations do not adequately address the findings of the investigation.
<b>Processes</b>			
Time, date, recipient and avenue of complaint adequately documented	Complaint was assessed to determine applicable category/ies of misconduct	Person responsible for investigating complaint is clearly identified	Available outcomes identified and considered
Details of complaint adequately documented	All applicable category/ies correctly identified	Investigator instrument of appointment on file with appropriate terms of reference (ED5, WHS only)	Outcome and reasons are adequately documented
Details logged on the applicable register.	Complaint logged in relevant registers	Investigator is an appropriate choice	Outcome meets minimum legal and policy requirements
	Risks to individuals and/or TasTAFE assessed and identified	Investigator made relevant and necessary inquiries	Outcome is an adequate response to the established misconduct
	Complaint referred / escalated if required	Investigator maintained appropriate contact with complainant throughout investigation	Systemic issues identified are rectified or referred to appropriate personnel for resolution
		Anonymity of complainant maintained where requested or necessary	Timely resolution of complaint (meets applicable legal/policy timeframes or within reasonable timeframe)
		Procedural fairness was afforded to person about whom complaint was made	Outcomes and issues are reported to CEO/Senior Management
		Complaint correctly referred / escalated if required	Outcomes and issues are reported to the Board
		Conclusions appear rational and are supported by evidence	

### 4.3.2 Compliance Testing Results

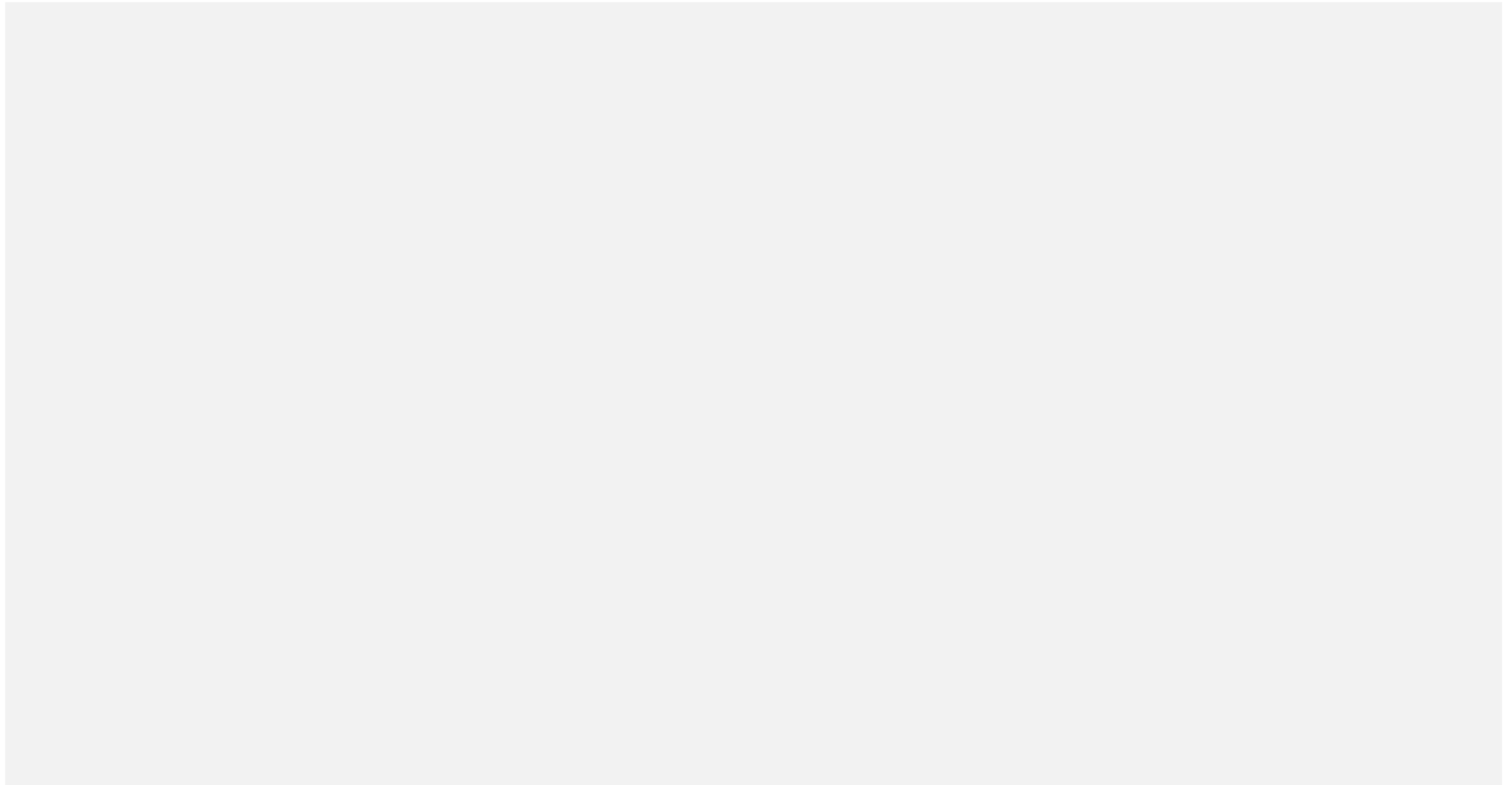
The following table summarises the results of testing across the sample.

Process	Expected actions	Findings
<b>Receive</b>	Time, date, recipient and avenue of complaint adequately documented	There were five out of seven (71%) instances where there is insufficient detail recording upon initial receipt of the allegation.
	Details of complaint adequately documented	Three out of the seven (42%) cases were not documented adequately. The ED 5 investigation did not arise from a documented complaint.
	Details logged on the appropriate register	All seven were documented on a register. However, in the case of the register of the Office of the CEO, the register was compiled as a result of the audit request.
<b>Assess</b>	Complaint was assessed to determine applicable category/ies of misconduct	In none of the seven cases we sampled was there evidence of an initial assessment to determine the applicable categories of misconduct.
	All applicable category/ies correctly identified	None of the seven cases we sampled identified the applicable categories that could apply.
	Risks to individuals and/or TasTAFE assessed and identified	The risks to individuals were only assessed in the three (3) cases we reviewed relating to WHS matters.
	Complaint referred / escalated if required	In three of the seven cases (42%) we sampled the complaint was not appropriately escalated in line with the relevant policy document.

Process	Expected actions	Findings
Investigate	Person responsible for investigating complaint is clearly identified	In one of the seven cases (14%) we reviewed the investigating officer was not appointed.
	Investigator instrument of appointment on file with appropriate terms of reference (ED5, WHS only)	For the one relevant file where this requirement was applicable, this was completed.
	Investigator is an appropriate choice	For the three WHS cases the investigation was carried out by the line manager in line with the policy. However in two of the cases there were other parties involved cited in the documentation for whom the line manager was also responsible. We did not view this approach as appropriate given the nature of the incidents and the risk that the ability of the investigator to be impartial may have been impaired.
	Investigator made relevant and necessary inquiries	In five of the seven (71%) cases we reviewed there were insufficient inquiries made, in our view, to consider additional aspects outlined in the WHS forms in particular. This resulted in the actual incident/hazard being investigated but not underlying systematic issues that may have included misconduct.
	Investigator maintained appropriate contact with complainant throughout investigation	In all cases, where appropriate, the complainant was informed of the investigation.
	Anonymity of complainant maintained where requested or necessary	In one case we found that the anonymity of the complainant was not maintained.
	Procedural fairness was afforded to person about whom complaint was made	In two cases it was our view that there were some issues identified in respect of procedural fairness – (1) identification of the complainant to the alleged aggressor and (2) no evidence retained on file to indicate that matters raised by the staff member were investigated.
	Complaint correctly referred / escalated if required	In two instances the complaint had been assessed as a category A or B in the WHS risk ratings and should have been referred to the CEO. There was no evidence of this maintained on file.
	Conclusions appear rational and are supported by evidence	In five of the seven cases we reviewed we found that there was insufficient evidence provided to support the conclusions made and not all issues were dealt with in the investigations.

Process	Expected actions	Findings
Resolve	Available outcomes identified and considered	In three of the WHS matters we investigated the outcomes did not include follow-up on matters of misconduct identified by the complainant.
	Outcome and reasons are adequately documented	In four of the seven cases the options to remedy the situation identified have not been documented.
	Outcome is an adequate response to the established misconduct	In four of the seven cases reviewed there was a lack of response noted for the additional issues identified in the complaint that were either not investigated
	Systemic issues identified are rectified or referred to appropriate personnel for resolution	In all seven cases, where systemic or cultural issues have been identified they have not been raised or dealt with the documentation of the complaint. There has been no evidence as part of the process that the remedies have been implemented.
	Timely resolution of complaint (meets applicable legal/policy timeframes or within reasonable timeframe)	Two of the seven cases were not completed in a reasonable timeframe. In one case a student complaint was received by the Office of the CEO and not logged with the Student Complaints register and therefore was not followed up as a matter of course. This resulted in the complaint being dormant for three months.
	Outcomes and issues are reported to CEO/Senior Management	Two of the seven complaints should have been reported to the CEO however they were not.
	Outcomes and issues are reported to the Board	Only WHS category A and B incidents or reportable incidents for WHS are currently required to be reported to the Board. No other misconduct issues have been reported to the Board.

## 5 Appendices



## 5.1 Approach

To complete this review, we completed the following:

- Reviewed current policies and procedures in place and comment on the adequacy of these documents with regards to currency and availability to staff;
- Met with key staff responsible for the management misconduct reviews, to gain an understanding of current practice;
- Selected a sample of misconduct reports to test level of compliance with policy framework. Our sample comprised seven (7) misconduct matters (some of which involved more than one complaint by or against the same person);
- From the sample selected, we reviewed the agreed outcomes of the investigation in line with the possible options available, and assessed implementation of those outcomes;
- Prepared and issued draft report based on the findings for management comment; and
- Issued draft report with management comments to the Audit and Risk Management Committee.




## 5.2 Policy Framework

The following documents comprised the TasTAFE policy framework that we reviewed as part of this project:

Policy	Procedure
Bullying and Harassment Policy	Bullying and Harassment Procedure
Feedback, complaints and student grievance management policy	Procedure – Feedback and Complaint Management
	Hazard Incident Reporting Procedure Investigation Procedure
Staff Grievance Resolution Policy	Staff Grievance Resolution Procedure
Public Interest Disclosures Policy (TasTAFE)	Public Interest Disclosures Procedures (Department of Education)

## 5.3 Risk Rating Criteria

Each finding has been rated according to the residual risk and impact on the operations of your organisation.

	<p>Critical control deficiency or significant compliance exception(s) which warrants immediate attention by management. A high risk of financial loss, impairment of operations or misrepresentation of financial or operational results.</p> <p>Issue that could have, or is having, a major adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>Gap in procedures and controls in place to mitigate key risks or compliance exception(s) which require improvement to ensure effectiveness of established controls. Deficiencies should be corrected promptly to ensure the internal control system is functioning adequately.</p> <p>Issue that could have, or is having, a significant adverse effect on the ability to achieve organisational / process objectives.</p>
	<p>While compliance exceptions may exist, they are not considered critical. Deficiencies do not warrant management's immediate attention but should be addressed as time and resources permit.</p> <p>Issue that could have, or is having, a minor but reportable impact on the ability to achieve organisational / process objectives.</p>



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Move Forward

16 March 2018



Ms Jenny Dodd  
CEO  
TasTAFE  
GPO Box 2015  
HOBART TAS 7001

Dear Jenny

#### Investigative Audit Program – Annual Audit Plan

The TasTAFE Annual Internal Audit Plan was developed and approved by the Audit and Risk Committee in July 2017. The plan outlined twelve (12) projects which were identified by the Committee to be completed over the course of the financial year to 30 June 2018. As at the date of this letter, we have completed the first nine (9) of these projects with the reports issued to the Audit and Risk Committee.

We have completed the scoping for the final three (3) projects being:

- Project 10 – Delegation Systems
- Project 11 – Policy and Procedure Framework
- Project 12 – Employment Induction

We noted during the scoping phase of these projects that there is significant overlap with previously completed projects. Specifically, the following table outlines how the scopes of the next quarter projects have been addressed to date:

Project 10 – Delegation Systems	TasTAFE has Authorisation Schedules which outline delegations across TasTAFE. The use of these delegations has been tested in detail in projects: <ol style="list-style-type: none"><li>1. Recruitment and Selection</li><li>2. Use of Government Credit Cards</li><li>3. Travel and Entertainment</li><li>6. Procurement</li></ol> The Authorisation Schedules require review to ensure all delegations of TasTAFE are formally documented. The schedules currently do not cover all delegations within TasTAFE. This has been reported previously.
Project 11 – Policy and Procedure Framework	The policy and procedure framework of TasTAFE has been reviewed in detail in Project 8 Human Resource Policies and Procedures. This project considered the policy cycle from development to implementation and review. The findings of this report are applicable to the development of all policies within TasTAFE. All previous reports issued to TasTAFE have also considered the policy framework and have made recommendations. The policy framework within TasTAFE is currently a priority of management.

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Project 12 – Employment Induction	<p>Employment induction and related policies have been considered in Project 8 Human Resource Policies and Procedures. This report noted that there is currently no policy in relation to Induction and processes are informal. Employment induction processes were also review in projects:</p> <ol style="list-style-type: none"> <li>1. Recruitment and Selection</li> <li>2. Use of Government Credit Cards</li> <li>3. Travel and Entertainment</li> </ol> <p>These projects found that staff were not always aware of the policy framework relating to the process in question, and that staff induction processes were informal.</p>
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The areas to be covered by the next three projects have already been identified by TasTAFE as areas requiring attention.

In light of this, it is our recommendation that TasTAFE consider the need to complete the final three (3) projects within the annual internal audit plan. In our view, TasTAFE will receive little additional value from these projects which has not already been delivered through other projects. Given the extensive work that has been completed under the other projects, in our view we believe that the issues to be raised in the final three (3) projects have been adequately addressed.

We await your advice in relation to the above.

Yours faithfully



Alicia Leis

Partner