What could possibly be wrong with overseas holidays, coffee machines, wine and chocolate? Nothing at all, unless a senior Executive or department head at your school has obtained these by corrupt means, using school funds inappropriately.

Such inappropriate purchases were just some of the things highlighted by the Victorian Independent Broad-based Anti-corruption Commission’s (IBAC) recent review, termed ‘Operation Ord’. This project investigated the corrupt establishment of ‘Banker Schools’ and the misuse of department funds. ‘Banker Schools’ was a scheme that diverted significant millions of dollars away from schools and misused the funds without scrutiny. Money intended to be supplied to schools, instead provided, among other things, a well-stocked wine cellar for a high level employee in the Victorian Department of Education, as well as supplying him with two expensive coffee machines, overseas family holidays and lavish birthday gifts and celebrations.

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Wendy Collins

I would suggest that ‘pedantic’ is precisely what every good accountant, school bursar and financial manager must be. I recommend that ‘pedanticism’ be included as a necessary selection criteria for such positions! Good financial management involves thorough scrutiny, tough rules, and the imposition of reasonable limits. The accountant at one Queensland school has a friendly, but serious saying, displayed on her white-board. It simply states, “No, is a complete sentence”. Not every request for expenditure has to be, nor should be, approved.
IBAC has recently announced that hearings will soon begin regarding their next project – Operation Dunham. Investigations will now focus on the alleged conduct of staff in the establishment and management of the Ultranet (an on-line learning portal project), which was dumped in 2013 after costs blew out to $180 million. They will review procurement processes, financial management, conflicts of interest and contract management.

No doubt, these ongoing investigations in Victoria have caused other State Departments of Education to become concerned. How can they reduce the chance of similar corrupt behaviour occurring in their states? Privately run church and independent schools are also likely to be wondering what they can do to avoid similar risks, albeit on a smaller scale.

You can certainly reduce the risk of fraud and corruption occurring in your school. A two-pronged approach is necessary. The first thing to consider is your school culture. The second is to ensure that you have strong financial management systems.

**Culture**
Do you have a zero tolerance for corrupt behaviour? The Victorian Department of Education and Training, in their public statement in response to Operation Ord, said that “corrupt conduct is appalling... and the hearings exposed weaknesses in the Department’s systems and problems with our culture, which allowed this conduct to occur” (Victorian Department of Education).

Integrity and accountability should be expected as the norms in your school. If your senior executives have a culture of entitlement, then that will flow through to the rest of your staff. Evidence from IBAC Victoria suggests that “an unhealthy network had developed within the department, in which favours were done for mates” (Anderson).

Staff who abuse their positions for personal gain should be removed from employment. Having a culture of integrity and accountability requires consistent promotion of high standards of integrity across your whole organisation, starting from the top. “Corruption is ultimately about conduct, and how people choose to behave”, according to Gill Callister, Secretary of the Victorian Department of Education and Training. He suggests that the “best defence against corruption and the sort of conduct that leads to corruption is to reinforce appropriate behaviour and values of integrity, accountability, respect, leadership, impartiality, responsiveness and a commitment to human rights across the organisation”. Training in professional standards should be reinforced and recapitulated.

Concerns about inappropriate behaviour should be followed up, and dishonest behaviour held to account. Ian Robinson, Chartered Accountant and Auditor suggests, “It’s not just about the numbers – it’s about the people.”

**Procurement of resources, or tendering for services, can be one of the most vulnerable processes in your school**
(Robinson). He recommends to leaders “engage your soft side and take a walk around. By the time you have attained a position of responsibility, your instincts should already be well developed. You’ve been dealing with people for 20-plus years, so you actually have a lot of experience behind you. Use that – trust yourself. If it doesn’t feel right, it probably isn’t right.”

The internal control procedure of job rotation is also recommended. Rotate staff within your finance department to different roles periodically. This will extend their skills and can encourage a more open work environment. Callister suggests (Victorian Department of Education) that “leaving senior staff in the same role for too long can lead to unhealthy networks, which can foster misconduct”.

**Strong financial management systems, particularly regarding procurement**
Robinson also believes that fraud rarely starts deliberately (Robinson). “What seems to happen is that an individual’s ethical standards gradually decline – and he or she will then go to extraordinary lengths to cover up their fraud, and delude themselves that they will make it right in the end, and so get away with it.” Having appropriate checks and balances, financial delegations, good documentation and authorisation will assist to reduce your school’s financial vulnerability.

Procurement of resources, or tendering for services, can be one of the most vulnerable processes in your school. It is one of the most common areas of fraud. Here are some suggested control measures to mitigate risks in the procurement process.

- Conduct regular and random audits and look for trends and patterns in approvals of tenders or purchase orders
- Check the legitimacy of suppliers. Reduce the chance of conflicts of interests between suppliers and employees, by searching ASIC registers for possible links between suppliers and employees
- Segregate duties so that the same person authorising a purchase does not also have access to recording the transaction or payment of the invoice
- Insist on completion of a Purchase Order, which must be authorised prior to goods being ordered or paid for
- If staff require reimbursement for school-related costs incurred privately, then insist that they submit a receipt from the supplier. If this can’t be produced, then you might allow a ‘one strike/chance’ to use a Statutory Declaration instead. Any future expenditure not substantiated by receipt should simply not be reimbursed. Staff will quickly learn to retain supporting evidence of the transactions
- Implement processes and document controls which can detect duplicate invoices
- Check that the goods or services as specified on the purchase order have been correctly delivered and invoiced
- Insist that staff sign delivery docket. Insist that they perform checks to verify that the goods and services received are of acceptable quality, and are consistent with the requested items
- Encourage the reporting of suspicious activities among staff and suppliers.
- Provide confidential support and ‘whistle-blower protection’ regarding any such reports
- Conduct regular staff training and development regarding all of these issues.

Sadly, the potential for corruption is an ever-present risk in schools, just as in any other organisation. As a school leader or financial manager, don’t put your head in the sand and assume that corruption or fraud will never happen on my watch.” Instead, be prepared to conduct a fraud risk assessment. This might involve hiring an external consultant to assist in identifying potential risk factors, assessing your internal controls and ensuring that your Code of Conduct is clear and well communicated to staff. Enjoy your coffee, wine, chocolates and overseas vacations, but ensure that they were paid for from your own pocket.

**References**

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