

**Investigation of protected disclosure complaints regarding
the former Principal of a Victorian public school**

February 2021

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The Victorian Ombudsman pays respect to First Nations custodians of Country throughout Victoria. This respect is extended to their Elders past, present and emerging. We acknowledge their sovereignty was never ceded.

Letter to the Legislative Council and the Legislative Assembly

To

The Honourable the President of the Legislative Council

and

The Honourable the Speaker of the Legislative Assembly

Pursuant to sections 25 and 25AA of the *Ombudsman Act 1973* (Vic), I present to Parliament my *Investigation of protected disclosure complaints regarding the former Principal of a Victorian public school*.

A handwritten signature in black ink, appearing to read 'Deborah Glass', with a stylized flourish at the end.

Deborah Glass OBE

Ombudsman

15 February 2021

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Foreword

Does Victoria really need another report about a school principal? This is the fifth school principal whose conduct has come under scrutiny in an Ombudsman public report in the past few years – itself only a fraction of the number of allegations received and investigated about principals in that time, which I do not make public.

I do not believe this is a reflection of the calibre of the vast majority of dedicated and professional school principals, many of who are selflessly devoted to their school and students. But their decisions and actions, in effect as the CEOs of small to medium-sized enterprises, inevitably attract scrutiny.

I am not tabling this report to expose the conduct of the principal in this case, who has presented cogent reasons for why he should not be identified. Nor do I think the conduct exposed in this report is systemic. I do not think many principals help themselves to school funds to support a gambling addiction and extravagant lifestyle, having failed to disclose in their selection process they are a discharged bankrupt. Failures in procurement and recruitment processes, also exposed here, may be more common.

I am tabling this report because it highlights an important and systemic weakness in the financial governance of our schools. The principal in this case was able to get away with his actions for so long because the systems and controls did not work. The school's business manager lacked the qualifications and experience to challenge him, as did the school council and its treasurer. The Department of Education and Training missed red flags that might have uncovered some of the conduct sooner.

Yet although the Department introduced vast changes since IBAC first exposed failures of financial governance of schools in 2016, this report shows more needs to be done. I recognise that reforming a vast and decentralised system takes time, and missteps are almost inevitable. But I cannot help hoping this is the last report I need to table about a principal's misdeeds.

Deborah Glass

Ombudsman

The investigation

The protected disclosure complaints

1. On 26 April 2018, the Independent Broad-based Anti-corruption Commission (IBAC) referred a matter to the Victorian Ombudsman for investigation pursuant to section 73 of the *Independent Broad-based Anti-corruption Act 2011* (Vic). IBAC had determined the matter to be a 'protected disclosure complaint' under the *Protected Disclosure Act 2012* (Vic).
2. The protected disclosure complaint alleged that in November 2017, the now former Principal ('the Principal') of a Victorian public school ('the School') asked his staff to counter-sign cash cheques valued at \$8,800, had the cheques cashed, and used the School's funds for his own purposes.
3. In June 2018, Ombudsman investigators spoke with the discloser to obtain further information. The discloser made additional allegations that:
 - in September 2017, the Principal asked staff to counter-sign another cash cheque valued at \$1,000
 - in April 2018, the Principal asked staff to counter-sign another cash cheque valued at \$3,850
 - the Principal failed to follow procurement processes for works totalling nearly \$700,000 at the School
 - the Principal failed to comply with School recruitment processes.
4. Investigators notified IBAC of these allegations under section 21 of the Protected Disclosure Act. On 27 July 2018, IBAC determined that these allegations were also a protected disclosure complaint and referred them to the Ombudsman for investigation as well.
5. Later in June 2018, the discloser made a further allegation that in June 2018, the Principal asked staff to counter-sign another cash cheque valued at \$2,500. Investigators determined that this allegation could be investigated by the Ombudsman as a 'related disclosure'.¹
6. Following legislative amendments effective from 1 January 2020, the Protected Disclosure Act was named the Public Interest Disclosures Act, and a protected disclosure complaint is now known as a 'public interest complaint' under the *Public Interest Disclosures Act 2012* (Vic).

Jurisdiction

7. Under the *Ombudsman Act 1973* (Vic), the Ombudsman has jurisdiction to investigate public interest complaints about conduct by, or in, an authority or a public interest entity.
8. The definition of such an entity includes 'a member of the teaching service within the meaning of the *Education and Training Reform Act 2006* (Vic)'. The Principal was a member of the teaching service at the time of the alleged conduct, which brings his conduct within the jurisdiction of the Ombudsman.

¹ A 'related disclosure' occurs when a witness discloses additional improper conduct in the course of an investigation, which is related to the same subject matter already being investigated. If the related disclosure is made by the original discloser, the Ombudsman can investigate it without notifying IBAC. If the disclosure is made by a different witness, or is about a new issue, the Ombudsman must notify it to IBAC for assessment: *Protected Disclosure Act 2012* (Vic) sections 34-37.

Methodology

9. On 29 June 2018, after the Ombudsman received IBAC's first referral, she notified the Minister for Education and the Secretary of the Department of Education and Training ('the Department') of her intention to investigate this matter.
10. The investigation involved:
 - examining relevant legislation, regulations and Ministerial Directions including:
 - o *Public Administration Act 2004* (Vic)
 - o *Education and Training Reform Act 2006* (Vic)
 - o *Financial Management Act 1994* (Vic)
 - o *Education and Training Reform Regulations 2017* (Vic)
 - o *Project Development and Construction Management Act 1994* (Vic)
 - o Ministerial Direction No.1: Tendering Provisions for Public Construction ('Ministerial Direction No.1').
 - examining the Victorian Public Sector Commission's *Code of Conduct for Victorian Public Sector Employees*, 1 June 2015
 - examining Departmental policies including:
 - o four versions of the *Finance Manual for Victorian Government Schools*, June 2016, June 2017, June 2018, January 2019
 - o *Internal Controls for Victorian Government Schools policy*, January 2015
 - o *Guide to school council finance motions*, November 2018
 - o two versions of the *School-funded Capital Projects policy*, August 2015, October 2017
 - o two versions of the *Recruitment in Schools policy*, 6 August 2015, 17 October 2016.
 - o two versions of the *School Purchasing Card Guidelines and Procedures*, November 2015, November 2018.
 - issuing four 'confidentiality notices'
 - summoning and reviewing the Principal's Departmental electronic devices including laptops, notebooks, desktop hard drives, mobile phones and data storage devices
 - summoning and reviewing the Principal's personal bank account records from four financial institutions
 - obtaining and reviewing:
 - o Departmental emails sent and received by the Principal
 - o the School's financial records
 - o School staff personnel files.

- inspecting the Principal's office at the School under section 21 of the Ombudsman Act
- conducting interviews with:
 - o the Principal
 - o the now former Business Manager at the School ('the Business Manager')
 - o the Principal's manager, a Senior Education Improvement Leader at the Department ('the SEIL')
 - o the Treasurer of the School Council ('the Treasurer')
 - o an Assistant Principal at the School ('the first Assistant Principal')
 - o a former Assistant Principal at the School ('the second Assistant Principal')
 - o a consultant who provided budgeting consultancy services at the School ('the Consultant')
- obtaining expert advice from a forensic accountant regarding the School's financial records
- meeting with the Department, Victoria Police and IBAC.

11. The investigation was guided by the civil standard of proof, the balance of probabilities, in determining the facts of this investigation, taking into consideration the nature and seriousness of the allegations made and the gravity of the consequences that may result from any adverse opinion.

Procedural fairness

12. This report includes adverse comments about the Principal and the School's Business Manager. In accordance with section 25A(2) of the Ombudsman Act, the investigation provided both individuals with a reasonable opportunity to respond to the material in this report. The report fairly sets out their responses. Although not subject to adverse comments, the SEIL and the School's Treasurer were also provided with a draft version of this report for fact checking and additional information and comment.
13. In accordance with section 25A(3) of the Ombudsman Act, any other persons who are or may be identifiable from the information in this report are not the subject of any adverse comment or opinion. They are named or identified in the report as the Ombudsman is satisfied that:
 - it is necessary or desirable to do so in the public interest, and
 - identifying those persons will not cause unreasonable damage to those persons' reputation, safety or well-being.

The Principal and the School

The Principal

14. The Principal was appointed to his role at the School in 2015. It was his first appointment as a school principal, following a decades-long career as a teacher in both Victoria and interstate.
15. The Department removed the Principal from the School three and a half years later, following the commencement of a Departmental investigation that was separate to, but partially informed by, this investigation. The Principal subsequently resigned from the Victorian teaching service in 2019.

The School

16. The School is located in one of Melbourne's growth corridors; and according to the My School website, many of the School's students experience educational disadvantage. More than half fall within the lowest quarter under the Index of Community Socio-Educational Advantage. The Index measures educational advantage and disadvantage, based on factors such as parental occupation, education levels and language background. An analysis of National Assessment Program – Literacy and Numeracy (NAPLAN) data over the past decade shows the School has performed below the national averages across reading, writing, spelling, grammar and numeracy.
17. A Departmental officer interviewed for the investigation described the School as a 'deep dive' school which requires extra attention and resources to ensure it meets Victorian Government targets.

The School's governance

18. The School Council and Principal are responsible for managing the School's day-to-day budget and administration.
19. Schools in Victoria have enjoyed substantial autonomy over their operations since the Victorian Government released a major reform of school management called 'Schools of the Future' in 1993. The reforms led to schools moving from direction by a centralised Departmental authority to being self-managed. The State Government devolved staffing and as much as 90 per cent of allocated budgets to schools to manage at the local level. This significantly changed the responsibilities of principals and school councils.
20. The current Act governing school education in Victoria – the *Education and Training Reform Act 2006* (Vic) ('ETR Act') – maintains schools' autonomy.
21. School councils are responsible under the ETR Act for, amongst other things:
 - establishing the broad direction and vision of the school
 - arranging for the supply of goods, services, facilities, materials, equipment and other things required for the conduct of the school
 - ensuring that all money coming into the hands of the school council is expended for proper purposes (section 2.3.5).
22. The Act states that the principal is the 'executive officer' of the school council. It states that principals must ensure that adequate and appropriate advice is provided to the school council, and that the decisions of school councils are implemented (section 2.3.7).

-
23. The Department's *Finance Manual for Victorian Government Schools* says responsibility for financial management is 'shared between the school council and the principal'. It describes the principal as:
- [the] accountable officer of the school, responsible to the Secretary (through the regional director) for financial accounting and reporting, effectiveness of audit and effective use of resources.²
24. To ensure proper management of their school's resources, school councils and principals are bound by a series of legislation and policies.
25. Principals and other school staff are also bound by the *Code of Conduct for Victorian Public Sector Employees*. The Code requires public sector employees to:
- observe 'the highest standards of integrity in financial matters'
 - comply with all relevant financial management legislation, policies and procedures
 - maintain a 'strict separation' between work-related and personal financial matters
 - avoid conflicts of interest 'wherever possible', declare any conflicts of interest and manage conflicts of interest that cannot be avoided in accordance with their organisation's policies and procedures.
26. The Principal's contract of employment with the Department required the Principal to comply with guidelines issued by the Department and duties specified in the contract. They included responsibilities to:
- manage the School's financial resources in a manner which ensures the achievement of the School's goals
 - ensure all procedures comply with relevant legislation.
27. At the relevant time, the School had a number of systems in place to help its School Council and the Principal discharge their responsibilities:
- The School Council had a finance sub-committee headed by its Treasurer.
 - The Principal and the first and second Assistant Principals were members of the School Council and signatories to the School's bank accounts.
 - The School employed a Business Manager who was responsible for day-to-day financial management, such as processing receipts and payments.
 - The School engaged a Consultant to assist the Business Manager with matters such as preparing the School's budget and financial statements. At interview, the Consultant said they visited the School around four or five times a year.
28. Managing the School's budget and operations was a significant undertaking. According to the My School website, in 2018, the School had a significant number of employees in teaching and non-teaching roles and funding of more than \$10 million.
29. Appendix 1 contains a summary of the governance responsibilities of school councils, principals and business managers.

² Department of Education and Training, Victoria, *Finance Manual for Victorian Government Schools* (2016) Section 1: Introduction, 1 and Section 2: Governance, 3.

Governance rules for government schools

Government schools are public bodies funded with public money. They are subject to many of the same laws as other parts of the public sector:

- the *Public Administration Act 2004* (Vic), which sets out a framework for good governance in the Victorian public sector and promotes public sector values such as integrity and accountability
- the *Financial Management Act 1994* (Vic), which requires schools to be publicly accountable for budget planning, allocation and use of funds.

Government schools must also comply with school-specific laws. The *Education and Training Reform Act 2006* (Vic) sets out the roles of school councils and principals and regulates employment in the teaching service. The Act is supplemented by:

- the *Education and Training Reform Regulations 2017* (Vic), which set out school councils' financial responsibilities. Amongst other things, they require school councils to develop and maintain 'adequate internal financial controls' for the school. They also require school councils to maintain records in a form to show all money expended in their name is 'properly expended and properly authorised', 'adequate control' is maintained over the school's assets and there is 'avoidance of waste and extravagance' (regulation 45)
- Ministerial Orders, which set out rules for the employment of principals, teachers and other school staff.³

The Department publishes policies, guidelines and other resources to help schools meet their obligations day to day. They include policies on:

- Financial management – the *Finance Manual for Victorian Government Schools* and *Internal Controls for Victorian Government Schools* set out rules to ensure school funds are managed properly. They include rules about bank accounts and spending, assets and internal financial controls.
- Procurement – the *Project Development and Construction Management Act 1994* (Vic) facilitates State Government development projects and provides for the Education Minister to set standards and issue written directions in relation to public construction.
- Ministerial Direction No. 1: Tendering Provisions for Public Construction is part of Victoria's broader public governance, financial management and accountability framework and sets out the requirements applicable to tenders for the procurement of works and construction services by State Government agencies. The *School-funded Capital Projects Policy* outlines the business rules and processes for major capital works including the construction of schools and significant modernisation projects worth more than \$100,000.
- Recruitment and selection – the *Recruitment in Schools* policy sets out rules for advertising and filling vacancies in schools to ensure recruitment is fair and merit-based.

³ Ministerial Order 1006: Principals (Selection Procedures and Grounds for Review); Ministerial Order 1038: Teaching Service (Employment Conditions, Salaries, Allowances, Selection and Conduct); Ministerial Order 1039: School Council Employees (Employment Conditions, Salaries, Allowances and Selection).

Internal conflict at the School

30. At interview, School staff and a School Council member all referred to internal conflict at the School during the Principal's tenure. While this conflict was not the investigation's focus, School staff sometimes referred to it in their explanations for events.
31. The School's Business Manager gave evidence that the Principal was 'brought in to, basically, clean [the School] up', and that upset some staff. The Business Manager said they felt there was a 'line down the middle' at the School, dividing staff into two factions or teams: those who supported the Principal and those who supported the first Assistant Principal.
32. The members of School staff and School Council interviewed all included in their evidence accounts of personal conflicts and perceptions of cultural problems at the School.
33. Both the Principal and the first Assistant Principal gave evidence of a 'culture of fear' at the School, although they had different views about how that culture developed and who was at fault. The evidence shows:
 - In 2016, the Principal concluded a formal grievance procedure where he made adverse findings about the first Assistant Principal's conduct
 - These findings were dismissed after the first Assistant Principal appealed to the Department's Merit Protection Board in 2017
 - In 2018, a Departmental investigation into staff complaints against the Principal found 'evidence to support an allegation that [the Principal] has engaged in bullying behaviour with the first Assistant Principal [and another staff member]'. It described the Principal's responses to investigators' questions as 'confusing, contradictory and, on occasion, not truthful'.
34. All School staff and School Council members interviewed told investigators that some staff had engaged in conduct which amounted to bullying. Some School staff spoke about the impact on their health and well-being.
35. The Principal also said he experienced anxiety and depression. The Principal told the investigation he typically started work at 6am and tried to take a break from 4 or 5pm until 7pm, and then worked at home at night. He said he also worked on weekends. He agreed when investigators asked if the transition from the Principal's previous role as an assistant principal to principal was a significant step. The Principal said:

In hindsight, it is ... You're enthusiastic and you're keen. Now I realise that everything that happens you're responsible for whether you know it or not. You're never told that, and you're never offered support and training around those things either.

The Principal's financial problems

36. Unbeknown to the Department, the Principal had a history of personal financial problems when he was appointed as the Principal. He initially received a total remuneration package of \$143,022 per annum. However, when the investigation reviewed the Principal's personal bank accounts, TAB betting account and Departmental email account, there was evidence his financial problems continued after his appointment.

Past bankruptcy

37. The National Personal Insolvency Register shows the Principal was bankrupt between 2009 and 2012.
38. At interview, the Principal said he became bankrupt following the insolvency of several businesses which he owned and operated in addition to his teaching work. The Principal said he was liable for the outstanding debts, particularly from multi-year lease agreements, which he could not afford to pay as they fell due.

Gambling

39. The Principal's bank statements show he spent a significant portion of his wages on gambling. The Principal's Tabcorp records show that while he was employed at the School between 2016 until 2018, he spent nearly \$315,000 on gambling activities and won approximately \$275,000. In short, he lost around \$40,000 in this period.
40. At interview, the Principal said he gambled regularly, but it 'hasn't always been as bad'. He said he began gambling more frequently around 18 months after starting work at the School and got it under control sometime later. He sought professional help and continued to receive support.

Personal expenses

41. The evidence shows the Principal had other significant personal expenses:
 - renting inner-city apartments from 2015 to 2018
 - paying private school fees
 - purchasing two investment apartments and a penthouse residential apartment in a beachside Queensland suburb in 2018
 - making regular trips to Queensland following purchase of the apartments

- taking his family on an overseas holiday at the end of 2017. (The Principal's Departmental email account contains emails showing the Principal offering to treat them the holiday, at a budget of \$40,000.)

Credit cards and loans

42. The Principal's credit reports show he had a continual need for extra funds. Records show that between November 2011 and 2017, there were 13 enquiries about credit cards and 22 enquiries about personal loans. A 2016 credit report listed four defaults at the time he commenced at the School.
43. The investigation found evidence, including in the Principal's work emails, of regular unsuccessful applications for credit cards and small personal loans, unpaid bills, and emails from debt collectors over the period the Principal was at the School including:
 - A 2016 credit report stated the Principal had a risk (45 per cent) of incurring an additional adverse listing in the following 12 months.
 - An email dated 19 July 2016 from the Principal's partner referred to three debt collectors seeking repayment for debts of \$4,000.
 - The Principal's work emails show he was refused credit by a bank due to debts in February 2016.
 - There was a dishonoured repayment of a personal loan and an order for goods was declined by a company in February 2017 due to insufficient funds.
 - Emails show that in December 2017, days before the Principal left for his overseas family holiday, he was in rental arrears.
 - While on holiday in January 2018, the Principal was contacted in relation to an unpaid bill and made an unsuccessful application for a credit card.

-
44. In March 2018, the Principal applied to the Department to commute 38 hours of long service leave. The reason he gave in the application was that he 'need[ed] to support a family business as a result of a continued family member's illness'. Commuting such a small amount of long service leave suggests the Principal was in financial hardship at the time. The Principal did not dispute this when given a chance to comment on a draft of this report.
 45. The Principal's bank accounts show he regularly had very little cash remaining in his accounts before payday.
 46. Emails between the Principal and his partner (from the Principal's Departmental email account) showed that the Principal's management of his personal finances was a source of tension between them.

The financial allegations

47. The protected disclosure complaints alleged that in 2017 and 2018, the Principal used School funds for private purposes by having staff at the School countersign and then cash cheques made out to 'cash', the proceeds of which the Principal took. The allegations involved:
- one cash cheque for \$1,000 on 4 September 2017
 - three cash cheques for \$4,500, \$2,800 and \$1,500, totalling \$8,800 on 10 and 14 November 2017
 - one cash cheque for \$3,850 on 30 April 2018
 - one cash cheque for \$2,500 on 22 June 2018.
48. The investigation analysed the School's financial records, as well as the Principal's personal bank accounts, TabCorp account and work emails for these periods; and also engaged a forensic accountant to track the movement of the School's funds through the Principal's personal bank accounts. The evidence showed a pattern of behaviour in the Principal's use of cash cheques and raised additional concerns about his use of the School's purchasing card.
50. When spending school funds, principals and school staff must comply with general financial management rules and the Code of Conduct for Victorian Public Sector Employees. The Code requires public sector employees to, amongst other things, observe 'the highest standards of integrity in financial matters' and maintain a 'strict separation' between work-related and personal financial matters.
51. There are specific policies and guidelines regarding cheques and school purchasing cards.
52. In the case of cheques, the *Education and Training Regulations* require cheques to be authorised by the principal and a nominated member of the school council (regulation 46). The *Internal Controls policy* state 'Cheques are to be made out to the payee not to Cash'.
53. In the case of the school purchasing card, the Ministerial Guidelines and Directions require the school council to ensure the card is only used for 'proper school purposes'.⁴

School cheque and purchasing card rules

49. The Department's *Internal Controls for Victorian Government Schools* policy allows schools to pay suppliers and creditors by cheque, direct debit, direct deposit, BPay or the school purchasing card. Before any payment, the school must generate a purchase order for the goods or services and follow an approval and authorisation process. The school must table a monthly 'cash payments report' at school council meetings showing all payments.

⁴ Ministerial Guidelines and Directions 1 to 6 of 2008 (2008), cl 3.

Alleged misuse of cash cheques

November 2017 cash cheques

54. The School's financial records confirm that on 10 November 2017, two cheques of \$4,500 and \$2,800, totalling \$7,300, were made out to 'cash' from the School's bank operating account (see Figure 1 below). The School's records link the cash cheques to the purchase of laptops and computers.
55. At interview, the second Assistant Principal said that on or around that date, the Principal came to their desk and said words to the effect of 'I want you to sign these two cheques' that were 'for those computers'. The second Assistant Principal said they queried why they needed to be purchased in cash, and the Principal reportedly said, 'It's just easier'. The second Assistant Principal said they 'didn't feel good' about signing the cash cheques but trusted the Principal.
56. The School's Business Manager told investigators they cashed the cheques and gave the cash to the Principal, who put it 'in [his] pocket'.
57. The Principal's personal bank account records show that, on the same day, \$4,500 in cash was deposited into his bank account (see Figure 2 below).

Figure 1: Excerpt from the School's cash transaction report, 10 November 2017

10/11/2017	8180	Cash	Laptops Purchased	86101	660	6661	000	4,500.00	
8181		Petty	maintenance	13000	620	6201	000	4.95	
8181		Petty	milk	13000	700	7001	000	5.00	
8181		Petty	science	13000	490	4956	000	5.00	
8181		Petty	pens	13000	700	7001	000	10.00	
8181		Petty	class supplies	13000	490	4922	000	10.00	
8181		Petty	VCAL	13000	490	4965	000	10.45	
8181		Petty	VCAL	13000	490	4965	000	12.80	
8181		Petty	science	13000	490	4956	000	14.30	
8181		Petty	physics supplies	13000	490	4956	000	14.80	
8181		Petty	year 10 mentors	13000	490	4951	000	16.00	
8181		Petty	year 7 high tea	13000	520	5254	000	16.50	
8181		Petty	postage	13000	700	7001	000	16.75	
8181		Petty	class supplies	13000	490	4922	000	17.20	
8181		Petty	science	13000	490	4956	000	17.75	
8181		Petty	year 10 mentors	13000	490	4951	000	20.00	
8181		Petty	class supplies	13000	490	4922	000	20.00	
8181		Petty	psychologist	13000	520	5201	000	21.40	232.90
8182		Cash	Computers Purchased	86101	660	6661	000	2,800.00	
8183		CASH	Credit Card Payment	89204	700	7001	000	2,500.00	
8184								650.00	
CRP0013215			Repairs Completed	89204	620	6201	000	275.00	

Source: Department of Education and Training

Figure 2: Excerpt from the Principal's personal bank account records, 10 November 2017

10 Nov 2017	Cash Deposit	4,500.00
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Source: Principal's bank, obtained by Ombudsman summons

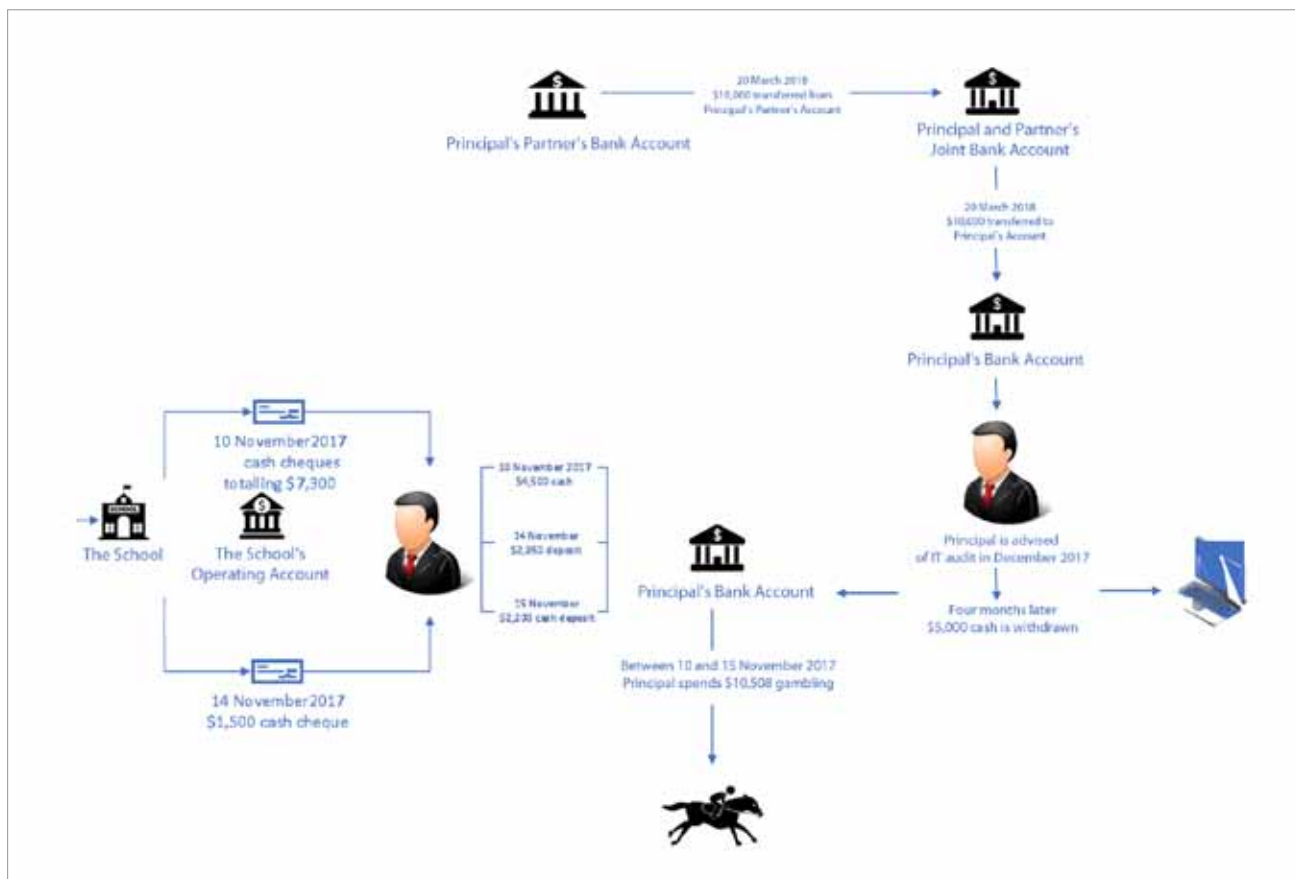
58. Over the next three days, from 10 to 13 November 2017, the Principal's bank account records show 125 transfers totalling \$5,913 to his TAB online betting account.
59. The Principal's Departmental email account suggests he needed funds for other reasons around this time. On 11 October 2017, his partner emailed him at work about paying for their planned holiday the following month. The email said:
- [A]s I said before planning our budget is extremely tight. If you don't have that extra \$10,000 before we go I need to know as that will mean I have to reduce everything by \$10,000 and originally you were treating this holiday to \$40,000.
60. The Principal replied the same day, 'Yes, I will definitely have it'.
61. Around this time, the Principal made six applications for credit cards or small personal loans.
62. On 14 November 2017, the School's financial records show a further cheque for \$1,500 was made out to 'cash' from the School's bank account. The records state this cheque was also for laptops.
63. At interview, the first Assistant Principal said the School's office administrator asked them to sign the cheque on this occasion and told them 'This is for the computers'. The first Assistant Principal said, 'I didn't think anything of it at the time, other than ... [the Principal] must be getting a special deal'.
64. The School's Business Manager said they again cashed the cheque and gave the \$1,500 to the Principal.
65. The same day, \$2,050 cash was deposited in the Principal's personal bank account. The following day, on 15 November 2017, a further \$2,200 cash was deposited in the Principal's account (see Figure 3 below).
66. Over 14 and 15 November 2017, 67 payments totalling \$4,595.55 were made from the Principal's account to his gambling accounts.
67. In summary, \$8,800 was withdrawn from the School's bank account between 10 and 14 November 2017 via three cash cheques, and \$8,750 was deposited into the Principal's personal bank accounts between 10 and 15 November 2017.
68. At interview, the two Assistant Principals said they spoke to each other on or around 20 November 2017 and realised they had both independently signed cash cheques for the Principal. The second Assistant Principal said it 'didn't seem right' that the Principal would need so much cash. They both told investigators that as the school year drew to a close, they asked the Business Manager repeatedly whether the computers had been purchased and receipts provided.
69. The Business Manager said they had raised the need for receipts with the Principal.

Figure 3: Excerpt from the Principal's personal bank account records, 14 & 15 November 2017

Date	Particulars	Debits	Credits	Balance
14 Nov 2017	Brought forward			1,520.76 Cr
14 Nov 2017	ATM Dep 14th12:17		2,050.00	
	13/11 TAB Limited Ulti			
	Ref: 13/11 TAB Limited Ulti	20.00		
	Ref: 13/11 TAB Limited Ulti	20.00		
15 Nov 2017	Cash Deposit		2,200.00	3,530.76 Cr

Source: Principal's bank, obtained by Ombudsman summons

Figure 4: Diagram showing the transfer of cash from the School to the Principal's personal bank account and beyond, November 2017

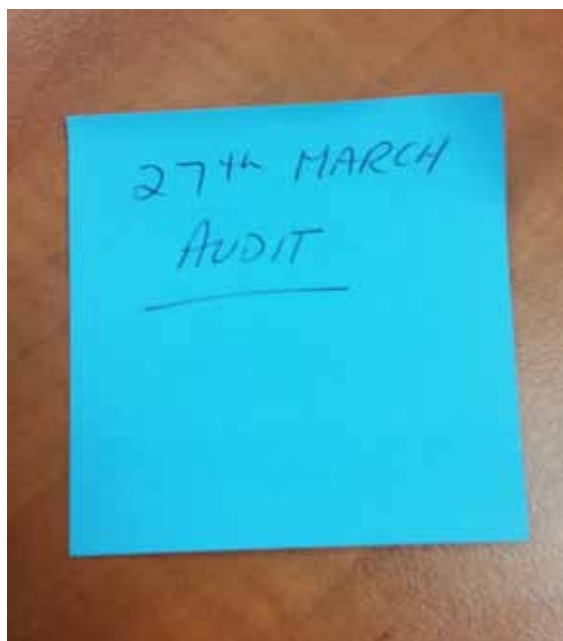


Source: Financial analyst appointed to the investigation

Departmental audit

70. In December 2017, the Department notified the School of an impending Departmental audit scheduled for 27 March 2018. The Department conducts a regular schedule of such audits at all government schools. When investigators inspected the Principal's office on 24 October 2018, a post-it note with the date '27 March' was still on his desk.

Figure 5: Photograph of post-it note found on Principal's desk taken during Ombudsman inspection of Principals' office, 24 October 2018



Source: Victorian Ombudsman

71. The Principal's Departmental email account shows that in the lead up to the audit, the Principal asked his partner for \$10,000. On 16 March 2018, his partner wrote:

I told you I would give you \$10,000 ... we have been down this path one hundred times or more ... yes you need money for something you have stuffed up ... your [sic] ... earning enormous money and ... broke two days after pay day.

72. The investigation's forensic accountant identified that on 20 March 2018, the Principal's partner transferred \$10,000 to the Principal via their joint account.
73. Between 21 and 26 March 2018, the Principal gave the Business Manager receipts for the purchase of the following:
- two laptops on 20 March 2018 for \$1,500 cash
 - three laptops on 20 March 2018 for \$2,330 cash
 - five laptops and four IdeaPad devices on 21 March 2018 for \$4,733 cash.
74. At interview, the Business Manager said these items arrived at the School.
75. While the first Assistant Principal and the Business Manager said they were aware that some laptops had been distributed to teaching staff, they were not able to confirm that all of the laptop computers arrived at the School.
76. The *Internal Controls for Victorian Government Schools* policy requires schools to keep an asset register to record assets over \$5,000 and 'attractive items' such as digital cameras and computer accessories. However, the School's asset register was not properly maintained at the time. At interview, the Principal said there was no asset register at the School when he arrived and he was planning to develop one. The first Assistant Principal confirmed the School's asset register was unreliable. The Department provided some records of the School's assets, but they also appeared to be incomplete.
77. At an inspection at the School in October 2018, investigators found laptops and other devices still in boxes in the Principal's office.

The Principal's evidence

78. When investigators interviewed the Principal about the cash cheques, he initially denied depositing School funds into his personal bank accounts. He said he had deposited his own money into his accounts and some of the cash was in a safe at the School. The Principal said he deposited his own money because he was being bullied and watched by one of the Assistant Principals, and he (the Principal) wanted to make it appear that he was misusing School funds. He described his thinking at the time as 'muddled'.
79. When investigators challenged this explanation, the Principal changed his response and admitted 'there would have been times when I deposited the cash cheques into my own account'.
80. The Principal agreed that the funds deposited into his account on 10 and 14 November 2017 were School funds. However, he said the transfer of these funds 'had nothing to do with the holiday. It was all about gambling at this point'.

April 2018 cash cheque

81. The School's financial records confirm that on 30 April 2018, another cheque for \$3,850 was made out to 'cash' from the School's bank account. The records state this cheque was for digital equipment.
82. At interview, the first Assistant Principal said the School's media studies teacher had submitted a purchase order the previous month for \$3,850 for:
- two cameras
 - two compact tripods
 - one microphone
 - two 50mm lenses.
83. The first Assistant Principal said that on 30 April 2018, the Principal and the Business Manager came into their office and asked them to sign a cash cheque. They said when they queried what the cheque was for and why it needed to be for cash, the Principal said the cheque was to purchase media equipment. They said the Principal had told them the School purchasing card had a \$1,000 limit. In this regard, the Business Manager told investigators the credit card limit was \$5,000. The first Assistant Principal said the Principal had also said he did not want to purchase the items from a retailer with whom the School had an account, as he did not want to have credit in too many places.
84. The first Assistant Principal said they signed the cheque because they felt under pressure with the Business Manager and the Principal 'just standing there'. They said they felt they had no choice but to sign. The Business Manager said they visited the bank to obtain the cash, which they then gave to the Principal.
85. On the same day, three cash deposits totalling \$3,400 were paid into the Principal's personal bank account (see Figure 6).
86. On the same day, \$3,000 was transferred into the joint account of the Principal and his partner, and \$3,000 was then transferred to the Principal's partner's personal account (see Figure 7).
87. The remaining funds were transferred to TAB Limited and Ubet.
88. Investigators sighted a receipt for cash purchases by the Principal of:
- one steadicam for \$296 dated 26 June 2018
 - two cameras and one lens kit purchased for \$1,997 dated 17 May 2018
 - one camera and zoom lens kit, one UV HMC Filter for \$1,345 dated 19 July 2018.

Figure 6: Excerpt from the Principal's personal bank account records, 30 April 2018

30 Apr 2018	ATM Dep 29th12:33		250.00
	ATM Dep 30th16:20		1,550.00
	ATM Dep 30th16:18		1,600.00
	Internet Transfer R		3,000.00
	EFTPOS 28/04 11:07		48.15
	ATM 28th11:27		300.00
	V4701 28/04 TAB Limited	Ulti	
	Ref:		5.00
	V4701 29/04 1035		
	Ref:		8.00
	V4701 28/04 TAB Limited	Ulti	
	Ref:		20.00
	V4701 29/04 Coles 0618		
	Ref:		20.88
	V4701 29/04 TAB Limited	Ulti	
	Ref:		30.00
	V4701 29/04 TAB Limited	Ulti	
	Ref:		30.00
	V4701 28/04 Pty Ltd		
	Ref:		35.95
	V4701 29/04 TAB Limited	Ulti	
	Ref:		42.00
	V4701 26/04 TAB Limited	Ulti	
	Ref:		50.00
	V4701 26/04 TAB Limited	Ulti	
	Ref:		50.00
	V4701 26/04 Ubet	Wool	

Source: Principal's bank, obtained by Ombudsman summons

Figure 7: Excerpt from the Principal's personal bank account records, 30 April 2018

30 Apr 2018	Internet Transfer R	3,000.00
		3,000.00

Source: Principal's bank, obtained by Ombudsman summons

89. At interview, the Business Manager said these items arrived at the School.
90. However, these items do not match the original purchase order. The original purchase order included two tripods and a microphone. The receipts do not include these items, although they do include additional cameras. The first Assistant Principal said they believed 'some items but not all' in the original purchase order were purchased.

91. At interview, the Principal admitted depositing some of the \$3,850 of School funds in his account. He said:

I don't think the full amount was used.
I remember keeping some of that at school. I'm not [sure] what portion ... I thought \$3,000 [was put in my account].

June 2018 cash cheque

92. The School's financial records also confirm that on 20 June 2018, another cheque for \$2,500 was made out to 'cash' from the School's bank account. The financial records state this cheque was for a concrete table setting (see Figure 8 below).
93. At interview, the first Assistant Principal said that in June 2018, the Principal asked them to sign a cash cheque following a discussion about buying a concrete table setting for an outdoor area at the School.

94. The first Assistant Principal said they had been advised by their union not to sign any more cash cheques and refused to do so. They said they queried why the items needed to be purchased using a cash cheque and said words to the effect of 'I don't see why we can't use the credit card', 'What's the hurry, we are still refurbishing' and 'Why can't [the School] open an account with the traders?' The first Assistant Principal said the Principal said he 'wanted to get this done' and that he would 'buy it today'.

95. The second Assistant Principal also told investigators they refused to sign the cash cheque.

96. The first and second Assistant Principals both said they found the Principal's use of cash cheques strange. While they had agreed to the Principal's request to counter-sign the cheques initially, they later refused to do so. The second Assistant Principal said:

I believe the Education Department doesn't approve of cash cheques. I get the impression that asking for that amount of money and putting that in your wallet is something that people just don't do.

Figure 8: Excerpt from the School's cash transaction statement, 20 June 2018

20/06/2018	8244	CASH	Credit Card Top Up	86101	700	7001	000	2,000.00	
	8245		Petty C	crochet hooks	86104	520	5254	000	4.00
	8245		Petty C	bags	86104	490	4927	000	4.00
	8245		Petty C	b'fast club	86101	520	5255	000	7.00
	8245		Petty C	Curriculum Consumables	86104	490	4957	000	7.65
	8245		Petty C	Library Books	86201	480	4801	000	10.00
	8245		Petty C	science stuff	86104	490	4956	000	14.00
	8245		Petty C	bfast club	86101	520	5255	000	16.50
	8245		Petty C	hums	86104	490	4957	000	17.00
	8245		Petty C	english	86104	490	4954	000	17.50
	8245		Petty C	parking	86701	700	7010	000	20.00
	8245		Petty C	Occ Therapy	86104	520	5201	000	26.55
	8245		Petty C	Curriculum Consumables	86104	490	4956	000	29.90
	8245		Petty C	welfare lunches	86101	520	5201	000	30.00
	8245		Petty C	psychology supplies	86104	520	5201	000	32.95
	8245		Petty C	petrol	86701	700	7001	000	50.00
									287.05
	8246	Cash	Concrete table setting	86101	660	6656	000	2,500.00	

Source: Department of Education and Training

Figure 9: Excerpts from the Principal's personal bank account records, 25 June 2018

25 Jun 2018	ATM Dep 25th16:00	2,500.00
25 Jun 2018	Internet Transfer	R.....	3,000.00
		3,000.00

Source: Principal's bank, obtained by Ombudsman summons

97. The second Assistant Principal and the Business Manager told the investigation that following their refusal to sign cash cheques, the Principal made one of the School's leading teachers, who was a staff representative on the School Council, a signatory to the School's accounts. The investigation heard the leading teacher signed this cash cheque.
98. The Business Manager said they again cashed the cheque and gave the cash to the Principal. In the case of this cheque, the evidence about what happened to the money is unclear. Five days later on 25 June 2018, \$2,500 was deposited into the Principal's personal bank account (see Figure 9 above). On the same day, \$3,000 was transferred from the Principal's account to the joint account of the Principal and his partner.
99. At interview, the Principal told investigators the money deposited into his account was his own money. He said he put \$2,500 of his own money into the account to make it look like he had taken School funds, because of the impact of the conflict at the School and his 'muddled thinking'. He said the funds may have been 'from gambling cash at the TAB or something. Or it could have been from a lotto win'.
100. The Principal told investigators he put the \$2,500 from the School's cash cheque in an envelope and put it in a safe at the School and that it 'stayed at the [School]'. In response to a draft of this report, he indicated he never bought the concrete table setting as intended.

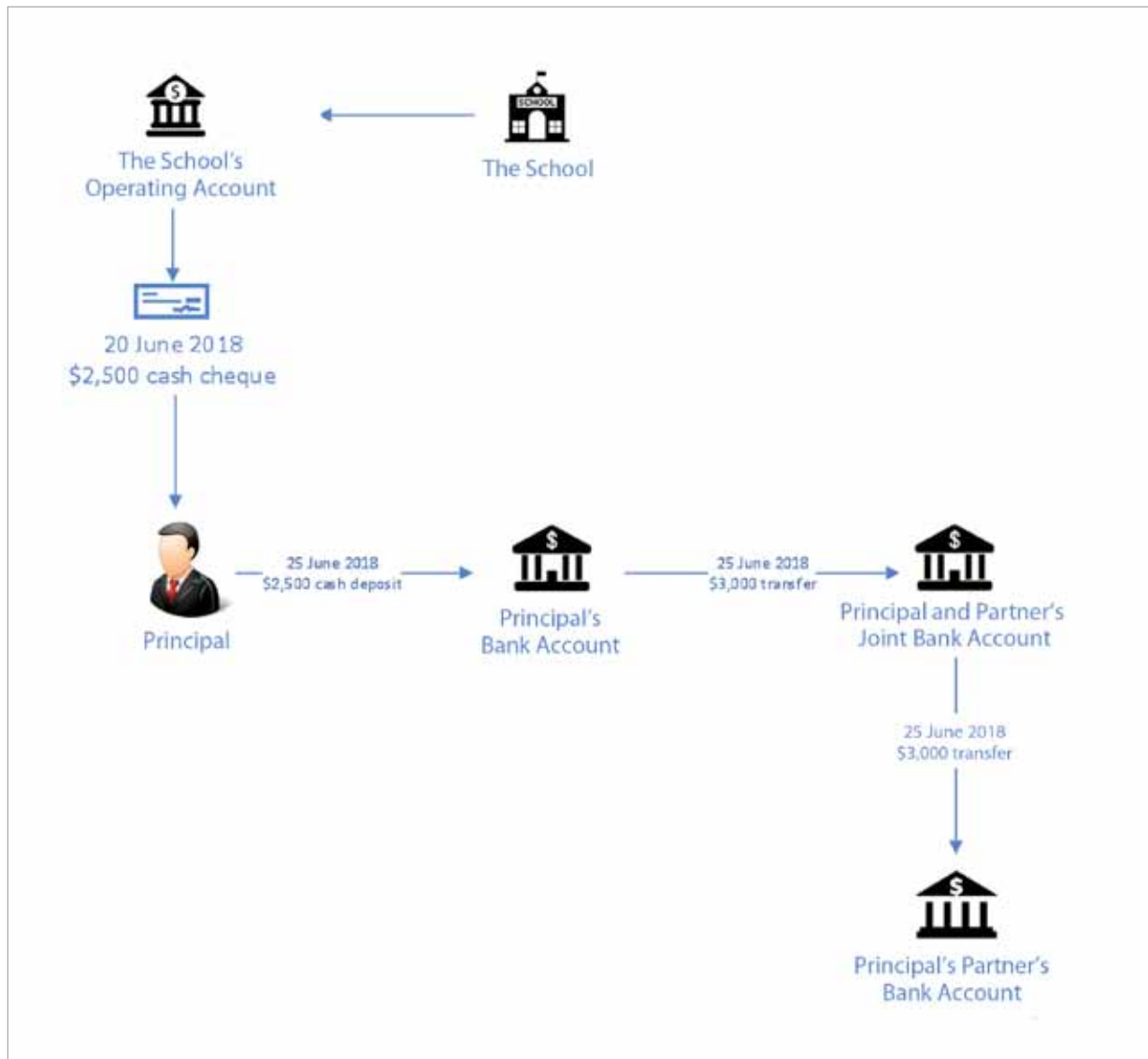
The Principal said:

On visiting several stores, I decided the [concrete table setting which was meant to be purchased with the \$2,500] was not the best choice for the space.

101. Following their interview, the Business Manager told investigators that in November 2018, after the Principal had been removed from the School, office staff found \$2,500 cash in a School envelope in the School's HR safe when they were removing exam papers stored there. The HR safe is in the same room as the money safe.
102. The Department told investigators the location of the money was:

highly unusual considering [the School] had a [money] safe, the timing, and the deposit into [the Principal's] bank account for this amount.
103. To complicate matters further, evidence shows the School did purchase a concrete table setting in 2018. It is not clear what funds were used for the purchase, if the proceeds of the cash cheque stayed at the School. The Business Manager told the investigation that in October 2018, they were given a delivery receipt for the purchase of the table setting for \$2,500. They provided the investigation with a document showing the purchase and delivery of 12 'Curved Lounge Sections' on 18 September 2018. However, the cost of the goods is not clear on the invoice and it is not clear what funds were used to purchase these items.

Figure 10: Diagram showing the transfer of cash from the School to the Principal's personal bank account and beyond, June 2018.



Source: Financial Analyst appointed to the investigation

September 2017 cash cheque

104. On 4 September 2017, another cheque for \$1,000 was made out to 'cash' from the School's bank account. The records again state the cheque was for 'computers purchased'.

105. On the following day, 5 September 2017, \$1,900 was deposited into the Principal's personal bank account. It is not known whether this deposit was a cash deposit. The Principal's bank records show that \$4,000 was then transferred to the joint account held by the Principal and his partner. The sum of \$200 was transferred back to the Principal's personal account, where records show it was spent on 'Tatts & Thelott'. The remaining funds were used for a loan repayment.

106. At interview, the Principal denied depositing this cash into his personal account. He said:

This is \$1,000 that I kept at School. The \$1,000 I remember because it wasn't until December that I decided to make those purchases and then it was delayed.

107. The School's asset records do not note any purchase of a computer(s) for \$1,000 in or around September 2017. They record that 60 Notebook computers were purchased on 20 February 2018 for 'student use' at a cost of \$12,800. It is unclear whether the \$1,000 from the cash cheque contributed to this purchase.

Other suspicious cash cheques

108. Investigators identified three further suspicious records of cash cheques approved by the Principal.

February 2016

109. On 25 February 2016, a cheque for \$2,700 was made out to 'cash' from the School's bank account. The records state the cheque was for 'staff computers'.

110. Four days later on 29 February 2016, \$2,800 cash was deposited into the joint account held by the Principal and his partner. On the same day, \$2,958 was transferred out of this account. The destination of the funds transfer is unknown. At interview, the Principal said that he believed this transfer was 'probably [for his] mortgage'.

111. The investigation could not substantiate whether the staff computers were ever purchased. There are no records of any computer purchases in 2016 in the School's asset records: but, as noted earlier, the asset register was not maintained.

112. While the Principal did not specifically admit to putting these School funds in his account, he told investigators he had taken the proceeds of all of the cash cheques shown to him at interview, apart from the \$2,500 cash for the concrete setting which he had placed in a safe at the School. He said he 'couldn't remember' what computers were purchased with the funds from the cheque.

May 2016

113. On 30 May 2016, another cheque for \$1,500 was made out to 'cash' from the School's bank account. The School's records state this cheque was for 'Library Books'.

114. The following day on 1 June 2016, \$1,500 in cash was deposited into the Principal's personal bank account. On the same day, \$1,100 was transferred from this account to the Principal's joint account with his partner. The following day on 2 June 2016, another \$13,650 was transferred from the account. The account statement contains the narration: ' ... Swimming Pool'.

115. The School's asset records do not record the purchase of library books for \$1,500 in or around June 2016. At interview, the Principal said he believed the cheque related to Book Week, and that 'at some time between then and Book Week' he would have purchased books to give away to each child.

116. When asked if he had deposited the School funds into his personal bank account, he said 'I don't actually remember ... but that's what it shows, so I reckon I did'.

December 2016

117. On 12 December 2016, another cheque for \$2,500 was made out to 'cash' from the School's bank account. The School's cash journal report indicates this withdrawal was intended partly to pay the School's purchasing card and partly to purchase computers.

118. The School's records show \$1,300 of the cash was used to pay the School's purchasing card. The remaining \$1,200 cash is unaccounted for.

119. On 14 December 2016, \$400 cash was deposited into the Principal's personal bank account. The account was overdrawn by \$35.22 at the time. The next day, most of the deposited funds were spent on 'Tunezonline', Tatts & Thelott and TAB Limited, leaving a balance of 28 cents.

120. The investigation's forensic accountant advised that due to several cash withdrawals and deposits out of and into the Principal's bank accounts at this time, tracing the remaining \$800 cash in the account was difficult.

121. At interview, the Principal said on this occasion he did not think he deposited School funds into his account, or otherwise used the funds improperly:

I see it but I don't know why I would do those two things [pay the School purchasing card and deposit funds in his account] together.

Repayment of funds

122. At interview, the Principal said he could not recall how many times he had deposited School funds into his personal bank accounts, but said:

All the money had been paid back ... I knew the amounts for the cash cheques each time and then I would just accumulate cash for those amounts myself and then purchase those products.

123. The Principal went on to say:

[T]here was a delay sometimes but it was done ... and it's not like I've suddenly now decided I've got to give it all back. It was a really bad thing to do and a bad decision to be thinking that it was okay to do. I never thought it was okay to do, to be honest. But it was a bad way to see that I could help myself.

... I gave [the Business Manager] receipts for all the funds, plus a bit.

124. There is evidence that at times the Principal used his own credit card to purchase goods for the School.

125. The Principal rejected the suggestion he purchased the goods because of the March 2018 Departmental audit. He said, 'I was told that the audit wouldn't look at those things anyway'.

126. The Department told the investigation that during its own internal investigation into the Principal, it notified the Principal that the balance of the funds unaccounted for due to his misappropriation totalled \$6,901. It requested he return the missing funds. It said an anonymous cheque arrived in the mail at the School for \$6,901, and expected this was the Principal repaying School funds.

127. At interview, the Principal said:

The Department said there were some funds missing so I paid those because they said I was responsible for them.

The Principal's response to the draft report

Bullying

128. After reading a draft of this report, the Principal acknowledged his 'use of a personal account for some funds was a mistake and poor judgement'.

129. However, he said it was due to alleged bullying by a senior staff member who 'was going to get me because I did not automatically renew [their] contract':

I matched the deposits to the funds at times so [the senior staff member] would think that [they] got me: [they] had been making regular threats to get me and other staff and parents. [They] said [they] would use a private investigator.

130. This was also the Principal's initial explanation at interview; however, when challenged by investigators, he admitted depositing School funds into his personal bank account.

131. The investigation did not find any evidence to substantiate the Principal's assertions in his response to the draft report.

132. The Principal also blamed the senior staff member for his 'gambling problem' saying:

I have been getting help from an organisation and my psychologist for several months. Again my psychologist has attributed the problem of my gambling addiction to being bullied at work and particularly the ... behaviour of [the senior staff member] and my feeling a lack of control.

Repayments and extra payments

133. The Principal's response to the draft report also stated: 'There has never been any cash missing. The funds were always spent for their intended purpose':

[E]ach time items were purchased and receipts provided to at least the value of the cash cheque. The exception to this is the final cash cheque for \$2,500. This money was placed in the file safe, where I placed it when I was given the cash. This was the process I followed each time with the cash, until the purchases were made.

134. The Business Manager's evidence at interview was consistent with the Principal's evidence. The Business Manager said the Principal eventually provided receipts to cover the amounts in the cash cheques.

135. The Principal's response to the draft report further said that, in fact, he spent more on School equipment than the total value of the cash cheques. He said he had provided receipts for more than the value of the cash cheques to the Business Manager, and spent around \$2,000 of his own money to purchase School awards.

136. However, the Principal was not able to tell investigators (or point to records of) the total amount of cash he obtained from the School, and the total value of the equipment he purchased for the School.

-
137. It is also not possible to independently confirm the Principal's and the Business Manager's accounts from the School's asset register, as it was not properly maintained.
138. The investigation notes the Department asked the Principal to pay an additional \$6,901, which it believed was outstanding, after he was removed from his role. The Principal said he had offered to pay the Department any outstanding amounts:

expecting it to be found that I spent a larger amount. Even so I paid the amount they said: I am thinking this amount is probably the value of the missing receipts.

Missing receipts

139. In response to the draft report, the Principal said he believed some of the receipts he provided to the School had gone missing. He said 'sometime in 2018, maybe Term 2', the Business Manager informed him that one of the senior staff had requested receipts for the cash cheques and 'threatened to have [the Business Manager] out of [their] job' if they were not produced. The Principal went on to say that 'sometime after this', the Business Manager told him 'some receipts had gone missing'.
140. The Business Manager told investigators they noticed things in their office had been moved or were missing. They also said a senior staff member had been asking for the receipts, so they believed this person may have taken the receipts either to keep or to make copies.
141. The Business Manager provided investigators with five receipts dated March, June and September 2018 totalling \$8,857 for the Principal's purchases of computer equipment and a digital camera. They also provided a General Ledger Payment Voucher dated 10 November 2017 for the purchase of computers for \$2,800 by the Principal.

142. Investigators put the Principal's assertion regarding the receipts to the senior staff member, who responded in evidence:
- They followed up receipts from the Business Manager for purchases using funds from the cash cheques they had signed.
 - The Business Manager said they could not provide the receipts or they would lose their job.
 - They had never been in the Business Manager's office when the Business Manager was not present and had not removed any receipts from their office.

143. The staff member's explanation is consistent with their concern that funds from the cash cheques may not have been used to purchase School equipment.

The School's purchasing card

144. In the course of analysing the School's financial records, investigators also identified concerns about the School's purchasing card, including a number of unusual purchases using the card. There were also frequent instances where cash cheques were used to top up the card.

Unusual or inappropriate purchases

145. School records show the Business Manager was the only person authorised to use the card under the School's purchasing card authority. However, at interview, they said the Principal took the purchasing card from time to time, although he would always return it with the relevant receipts. They said other staff members who needed to use the purchasing card did so in the Business Manager's office and were not permitted to take the card away.

Hospitality and alcohol

146. The School's financial records show the purchasing card was sometimes used to purchase hospitality and alcohol. This included:
- lunch at a hotel for \$1,200
 - alcohol from various sellers
 - lunch items including from a restaurant.
147. These purchases were in addition to food and grocery purchases that may have been used for the School's Breakfast Club for students or catering for events.
148. When investigators asked the Principal about these purchases, he said he could not remember what the lunch at the hotel related to, and that alcohol was never purchased using School funds. He said alcohol was often purchased for events such as end-of-term drinks, but the staff association deposited funds for those costs into the School's account. However, the Principal could not point to any item in the School's payment reports showing a deposit from the staff association.
149. Investigators found bottles of wine and cider and a bar fridge when they inspected the Principal's office at the School in October 2018.
150. At interview, the Principal told investigators he purchased alcohol using the School's credit card, but not for personal use. He said any alcohol purchased was for the use of staff or the School Council and that some bottles of alcohol were awarded as prizes at staff meetings. When investigators showed the SEIL images of bottles of alcohol in the Principal's office, the SEIL said these would not have been purchased as prizes.

Figure 11: Photographs taken during Ombudsman inspection of the Principal's office, 24 October 2018



Source: Victorian Ombudsman

Gift cards

151. The School's credit card statements show the purchasing card was used to buy thousands of dollars' worth of Coles and Woolworths gift cards each year. There was also evidence that gift cards were used to purchase alcohol. Investigators found evidence of the purchase of gift cards, and receipts for goods purchased with gift cards, when they inspected the Principal's office at the School.
152. The School's financial records do not always clearly record the intended purpose of these gift cards. In September and October 2018, for example, 10 gift cards were purchased using the School purchasing card.
153. At interview, the Principal could not clearly explain why these gift cards were purchased. He said gift cards were 'usually used for staff that are leaving. Or for babies'. He said they could also be used to recognise staff members' service at the end of the year, and denied he had purchased personal items using the School's gift cards.
154. However, among a number of receipts on the Principal's desk (see Figure 12 below), investigators found a receipt for the purchase of four gift cards on 25 May 2015, one of which was used to purchase \$40 worth of wine and beer on 6 June 2015.
155. Investigators also found other receipts in the Principal's office showing the purchase of alcohol using gift cards (see Figures 13 and 14), but it was unclear whether these were purchased using School funds.

Figure 12: Photograph of receipts found on Principal's desk taken during Ombudsman inspection of Principals' office, 24 October 2018



Source: Victorian Ombudsman

Figure 13: Coles and Liquorland receipts showing purchase of gift card and use of gift card for alcohol, 25 May and 16 June 2015

Coles Supermarkets Australia Pty Ltd
Tax Invoice ABN: 45 004 185 708

redkite
The only online liquor store to support local wineries

Open to 12am
7 days a week
Your store manager is: [REDACTED]
Phone: [REDACTED] Receipt: 254
Date: 25-May-2015 Time: 17:27
Reg 8 Served By: [REDACTED]

COLES MYER GIFTCARD TEACH
Quantity: 4 @ \$50.00 each \$200.00

Total for 4 items \$200.00
EFTPOS 200.00
GST INCLUDED IN TOTAL \$0.00

Coles VIC AU
25/05/15 17:27 32729477 NS1608
627335 087 VISA
CREDIT ACCOUNT Visa Credit
APSN 0001 ATC 0030 A0000000031010
PURCHASE AUD\$ 200.00
RRN 000080025401 (00)APPROVED
AUTH 098153

Coles VIC AU
25/05/15 17:27 32729477 NS1608
627335 087 GIFT CARD
EXPIRY 05/17
PAYMENT AUD\$ 50.00
BALANCE AUD\$ 50.00
RRN 000080025402 (00)APPROVED

Coles VIC AU
25/05/15 17:27 32729477 NS1608
627335 474 GIFT CARD
EXPIRY 05/17
PAYMENT AUD\$ 50.00
BALANCE AUD\$ 50.00
RRN 000080025403 (00)APPROVED

Coles VIC AU
25/05/15 17:27 32729477 NS1608
627335 272 GIFT CARD
EXPIRY 05/17
PAYMENT AUD\$ 50.00
BALANCE AUD\$ 50.00
RRN 000080025404 (00)APPROVED

Coles VIC AU
25/05/15 17:27 32729477 NS1608
627335 198 GIFT CARD
EXPIRY 05/17
PAYMENT AUD\$ 50.00
BALANCE AUD\$ 50.00
RRN 000080025405 (00)APPROVED

LIQUORLAND
SAY NO TO PLASTIC BAGS
Thank you for shopping with Liquorland

Australia's Favourite Liquor Store

ABN 57079851626

Description Total \$
WOLF BLASS YELLOW LA 750ML \$ @ \$10.00 80.00
WATLUA MARLBOROUGH 750ML 10.00
TOTAL (Inc GST) \$40.00
4 Items
Paid by: EFTPOS/Mondelex 40.00

L/LAND VIC AU
25/05/15 12:50 32412494 139501
627335 474 GIFT CARD
EXPIRY 05/17
PURCHASE AUD\$ 40.00
BALANCE AUD\$ 10.00
RRN 000105263300 (00)APPROVED

Change Due \$0.00
GST Amount \$3.64

Signifies item(s) with GST

TAX INVOICE
Issued by Link at Lane 1
6/06/2015 12:00:35
Please retain receipt for refund/exchange
Thank you for shopping
at Liquorland

2590010526332

Figure 14: Receipts from BWS showing purchase of alcohol using Coles gift cards, 24 October 2018

BWS
TODAY'S SPECIAL

Store Manager [REDACTED]
Woolworths Tax Invoice - ABN 68 000 014 675

WINE COUPON 1 0.01
WALLA WOODMAN SHIRAZ 750ML
Qty 6 @ \$22.99 ea 137.94
TAXED POLICE OFFER -68.97
7 SUBTOTAL 68.98

SAFETYWAY 3306
VICTORIA HSB VIC
MERCH 10-61100600003306
TERM ID: M3306015
CARD: 8202 S
GIFT CARD SAVINGS
REDUCTION 88.98

TOTAL 68.98
APPROVED 00
BALANCE 875.12
18/05/15 11:37 004124

TOTAL 68.98
EFT 68.98
CHANGE 00.00

* Taxable Items
TOTAL includes GST 86.27
OTHER SAVINGS 68.97

***** MORE SAVINGS EVERYDAY *****
TOTAL SAVINGS \$ 68.97

You could have earned at least 39 Qantas Frequent Flyer points for this sale. Register online today at everydayrewards.com.au

PARKING VALIDATION BARCODE
Barcode only valid from store of receipt
On day of receipt
STORE: 3306 DATE: 18/05/2015
5533060154124180520150

BWS RECEIPT REWARDS - BUY 1 GET 1 FREE
On FIVE SOUNDS MARLBOROUGH SHAVIGNON BLANC
OR WALLA WOODMAN SHIRAZ 750ml bottle
Present coupon at a BWS* store. Expires 5-JUNE-2015

BWS
TODAY'S SPECIAL

Woolworths Tax Invoice - ABN 68 000 014 675

WINE SHIRAZ 750ML 79.96
@ \$19.99 ea -39.98
TOTAL \$39.98

SAFETYWAY 3305
VIC
MERCH 10-61100600003305
TERM ID: M3195019
CARD: 8202 S
GIFT CARD SAVINGS
REDUCTION 39.98

TOTAL 39.98
APPROVED 00
BALANCE \$144.10
05/05/15 18:17 002646

TOTAL 39.98
EFT 39.98
CHANGE 00.00

* Taxable Items
TOTAL includes GST 33.63
OTHER SAVINGS 39.98

***** MORE SAVINGS EVERYDAY *****
TOTAL SAVINGS \$ 39.98

You could have earned at least 10 Qantas Frequent Flyer points for this sale. Pick up a card in-store & register online today at everydayrewards.com.au

BWS RECEIPT REWARDS - BUY 1 GET 1 FREE
On CAPE CAMPBELL MARLBOROUGH SHAVIGNON BLANC
OR BUGEYE ERA SHIRAZ 750ML
Present coupon at a BWS* store. Expires 16-MAY-2015

*Over 18's Only. No further discounts apply.
Stores (incl. exclusions): full T&Cs at bws.com.au/rt

5300633499402

STORE 3305 POS 019 TRANS 2646 0033 18:18 05/15
Thank you for shopping at BWS
Visit www.bws.com.au

Source: Victorian Ombudsman

Unclear purchases

156. In some cases, the School's cash payment reports used generic titles, such as 'goods purchased' or 'credit card goods purchased', to describe purchases using the card. It was not possible to determine what was purchased with the card on those occasions.
157. At interview, the Principal said he did not know what these titles meant and assumed the Business Manager would have named them.

Stamps

158. The School's Cash Payments Report also shows that cash cheques totalling thousands of dollars were authorised by the Principal to purchase stamps in batches of \$1,000.
159. Investigators noted that while individual teachers would occasionally seek reimbursement for modest sums of less than \$20 to purchase stamps, in 2016, cash cheques for \$5,000 were authorised to purchase stamps. In 2017 and 2018, stamps totalling \$3,000 and \$2,000 were also purchased using cash cheques by the School.
160. At interview, the Principal acknowledged he would have authorised these purchases but could offer no explanation for them. In response to the draft report, the Principal said he was 'unaware of the concerns' regarding postage stamps.

Use of cash cheques to top up the card

161. Investigators also identified that the School was using cash cheques to top up the School purchasing card.

162. The Business Manager explained at interview that the School had one purchasing card that was used when suppliers required payment at the time of purchase (rather than payment by invoice), which had a \$5,000 limit. The School regularly spent up to this limit and they needed to top up the card quickly. The Business Manager said:

Everything that years ago you could use a purchase order to pay for, [they] want a credit card now. It's not enough, the \$5,000 ... You can do that in three days ... Everything is credit card these days ... I could use it [the \$5,000] in a week.

163. The Business Manager said topping up the card using an electronic funds transfer from the School bank account ordinarily took two business days, because the School's bank account and purchasing card account were with two different banks. They said often staff at the School needed to buy items quickly and could not wait for funds to become available. By withdrawing cash using a cash cheque from the School bank account, and then depositing the cash into the School purchasing card account, funds became available instantaneously.
164. Despite the Department providing a sample Cash Handling Policy on its website for the use of schools, staff told investigators the School did not have a Cash Handling Policy.
165. The Principal and the first Assistant Principal both gave evidence they were not happy with the way the Business Manager used cash cheques to top up the purchasing card. They said they had talked with the Business Manager about being better organised so they wouldn't 'run out of time' to top up the card through an electronic funds transfer.

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166. The School Council Treasurer gave evidence they voiced concerns about using cash cheques to top up the purchasing card because it made it difficult for the School Council's finance sub-committee to oversee the card's use. The Treasurer said:

[M]y concern there was we only gave our Business Manager a \$5,000 limit per month on the credit card and when I did tally it up, it came to \$8,500 spent on the credit card. So that's why I took that to [the] finance [sub-committee], and it was said that it wouldn't happen again.

167. The Consultant engaged by the School to assist the Business Manager said they also told the Business Manager it was not good practice, and in response the Business Manager was 'a bit sheepish'. The Consultant said they considered this was because the Business Manager was inexperienced and had found their own way to resolve an issue, which was not best practice. The Consultant said they worked with 50 or 60 schools, and no other of these schools used cash cheques in this way.
168. The School's financial records show cash cheques were also used for petty cash. The Business Manager and the first Assistant Principal said cash cheques had also been used in the past for incidental items during school excursions and camps.
169. The School's Cash Payments Reports between 2016 and 2018 show the School's use of cash cheques had become substantial:
- In 2016, cash cheques were used to withdraw School funds totalling \$8,200.
 - In 2017, cash cheques were used to withdraw School funds totalling \$42,300.
 - Between January and October 2018, cash cheques were used to withdraw School funds totalling \$25,850.

The Principal's response

170. In response to the draft report, the Principal said he was 'unaware of the concerns' regarding use of the School's purchasing card. He had used cash cheques at his previous schools for petty cash, for topping up the school's purchasing card, for purchases in excess of \$1,000 where the school did not have an account, and for camps and excursions. He said, 'I now understand this is not [acceptable at the School]':

It is my understanding, and experience from other schools, the school purchasing card can only be used for an item up to the value of \$1,000. This is somewhere on the department website and in our policies and in controls related to purchasing cards.

... I have always focused on improving the learning outcomes of students: this focus means I spend most of my day talking to people and listening. This has meant I have sometimes been unaware of other matters.

171. The Principal did not acknowledge his responsibility to adhere to and promote appropriate financial and asset management practices.

Findings

172. Through a forensic analysis of the Principal's and the School's bank records, the investigation identified that the Principal had taken School funds totalling \$22,850. At interview, the Principal admitted to having taken the proceeds of cash cheques totalling \$14,150 for personal use, including depositing School funds into his personal bank account. The Principal denied personal use of the remaining \$8,700.
173. The evidence suggests the School's two Assistant Principals felt pressured into counter-signing the cash cheques. When they finally refused to do so, the Principal 'authorised' a leading teacher to do so.

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174. The Principal's responses in relation to specific transactions are summarised below.

Cash cheques

November 2017 cash cheques

175. The allegation that the Principal improperly used the proceeds of the November 2017 cash cheques is substantiated.
176. It is notable that the Principal obtained the proceeds of the November 2017 cash cheques totalling \$8,800 in the months prior to his overseas holiday at a time when his partner was pressuring him to contribute \$10,000 to the holiday.
177. It is apparent from the timing of his purchases of the School equipment that he had not held the funds in escrow for this purpose. The School equipment was only purchased shortly before a scheduled financial audit by the Department in March 2018. The Principal was able to make this purchase only after his partner gave him \$10,000. This suggests the Principal did not have the funds to make the purchases he said he was holding the money for.
178. The significance of the date of the audit was demonstrated by the post-it note on his desk. Although the Principal denied it at interview, the note suggests he was conscious of the need to purchase the laptops before that date, to avoid detection. The Principal did not offer any further explanation for this when responding to the draft report.

April 2018 cash cheque

179. The allegation that the Principal improperly used the proceeds of the April 2018 cheque is substantiated.
180. The Principal admitted he took the proceeds of a cash cheque totalling \$3,850 and deposited \$3,000 in his personal account. He purchased goods totalling \$3,638 on three dates between 17 May and 19 July 2018.
181. It is unlikely the Principal was holding the funds in escrow for the purpose of purchasing camera equipment. When he finally did purchase camera equipment, it was not what was ordered by the teacher in question. It appears that poor record keeping was advantageous to the Principal in reducing the chances of his conduct being detected.

June 2018 cash cheque

182. The Principal denied taking the proceeds of a cheque for \$2,500 and told the investigation he intended to purchase a concrete table for the School. In this regard, after his removal from the School, \$2,500 was discovered by office staff in a filing cabinet in the School's office.
183. The Principal's assertion that he always intended to repay the \$2,500 does not appear to be supported by the evidence obtained by the investigation. On 25 June 2018, \$2,500 cash was withdrawn from a School account. On 25 June 2018, \$2,500 cash was deposited into the Principal's personal account; and on the same day, \$3,000 was transferred from this account to a joint account held with his partner. It seems implausible that the Principal would take steps to have a cheque counter-signed and cashed only to put it in a safe that is not ordinarily used to store cash, without advising any other parties until after it was found. The investigation does not accept the Principal's response as truthful.

September 2017 cash cheque

184. The allegation that the Principal improperly used the proceeds of the September 2017 cash cheque valued at \$1,000 for his own use is substantiated. Although the Principal said he kept the funds at the School, these funds were not found, and there is no evidence of the funds being used to purchase School equipment.

Other suspicious cash cheques

185. An additional three suspicious cash transactions in 2016 totalling \$7,000 were also identified during the investigation. At interview, the Principal admitted receiving the proceeds of one cash cheque valued at \$1,500 but did not admit to receiving the remaining \$5,500. The investigation considers the Principal's explanations in relation to the \$5,500 cash cheques to be implausible.

Repayment of funds

186. The Principal did not deny placing the proceeds of School cash cheques into his personal bank account but claims he was driven to it by the bullying of a senior staff member. He also claimed to purchase equipment for the School in excess of the value of the cash cheques.
187. Investigators requested records of the goods the Principal purchased with the proceeds of School cash cheques and records of the equipment received by the School from the Business Manager and/or the Department. However, no complete set of receipts, completed asset register, or any other conclusive evidence was available to demonstrate that the Principal used all of the proceeds of School cash cheques to purchase equipment for the School.

188. In claiming he purchased equipment for the School in excess of the value of the cash cheque proceeds taken, it appears the Principal is taking advantage of the inadequate record keeping system at the School, for which he was also responsible. The evidence obtained by the investigation does not support the Principal's account.
189. The investigation notes the Principal sent a bank cheque for \$6,901 to the School after his removal. The Principal told investigators he had done so at the request of a person from the Department whom he could not identify, and that he would have paid any amount requested - indicating that the Principal was aware he owed the School money and did not know the outstanding amount.

Line of credit

190. Whether or not the Principal intended to purchase goods for the School when he deposited School cash into his personal bank account, he had the benefit of the funds for months before making the purported purchases. The Principal was effectively using School funds as a line of credit.
191. The Principal ultimately purchased some goods for the School; however, investigators were not able to confirm if the equipment was delivered to the School, as the School's asset register was not properly maintained. Due to this poor record keeping, investigators could not verify whether items referred to in receipts provided to investigators ever arrived at the School.

Breaches of laws and policies

192. In his misuse of cash cheques, the Principal breached the following obligations:

- section 61 of the Public Administration Act, by failing to uphold public sector values, principles and standards provided by the Code of Conduct, in particular:
 - o section 3.1 – failure to act honestly in the performance of his duties, and failing to act transparently in his conduct
 - o section 3.3 – failure to demonstrate financial probity in relation to the financial management of the School, including banking School funds into his personal bank accounts and using them for private purposes
- section 4.7 of the *Internal Controls for Victorian Government Schools* which requires that School cheques be made out to the payee and not to cash
- clauses 2 and 3 of his contract of employment by failing to comply with guidelines issued by the Department, and also by failing to comply with duties specified in the contract including to:
 - o manage the School's financial resources in a manner which ensures the achievement of the School's goals
 - o ensure all procedures comply with relevant legislation.

Other financial irregularities

193. Investigators also identified other financial irregularities during the Principal's tenure:

- Cash cheques used to top up the School's purchasing card.
- Cash cheques used to purchase thousands of dollars' worth of stamps, which the Principal was required to approve. The Principal confirmed at interview that the School had no use for these stamps, but he denied any wrongdoing.
- Misuse of the School's purchasing card to buy alcohol and hospitality.
- Use of the purchasing card to buy thousands of dollars' worth of gift cards. While investigators are aware that the School uses gift cards as awards and welfare support for some students and their families, the use was excessive; and on at least one occasion, a gift card was used to purchase alcohol.

194. In relation to these financial irregularities, the Principal breached the following obligations:

- section 61 of the Public Administration Act by failing to uphold public sector values, principles and standards provided by the Code of Conduct, in particular:
 - o section 3.1 – failure to act transparently in his conduct
 - o section 3.3 – failure to demonstrate financial probity in relation to the financial management of the School, including making purchases that he could not attribute to legitimate School purposes

-
- section 3 of the *Schools Purchasing card – Department Guidelines and Procedures*
 - section 2.6 - *Internal Controls for Victorian Government Schools* for failing to ensure administrative staff have sufficient knowledge and expertise to follow the approved policies and position descriptions
 - section 4.5.2 - *Internal Controls for Victorian Government Schools* for failing to ensure purchases using the School purchasing card were consistent with program budget expenditure
 - section 4.7 - *Internal Controls for Victorian Government Schools* which require that School cheques are to be made out to the payee and not to cash in using cash cheques to pay the School purchasing card
 - clauses 2 and 3 of the Principal's contract of employment⁵ by failing to comply with guidelines issued by the Department and also by failing to comply with duties specified in his contract of employment to:
 - o establish and manage financial systems in accordance with the Department and School Council requirements
 - o maintain an asset register
 - o represent the policies of the Department to the School Council and community
 - o ensure compliance with relevant legislative and policy requirements
 - o provide timely and professional advice to the School Council on the operation of the School Council and School Council responsibilities
 - o develop appropriate policies for approval by the School Council and manage their implementation.

⁵ Under section 2.4.14, a principal's employment is governed by a contract of employment between the Principal and the Secretary.

The procurement allegations

195. The protected disclosure complaints also alleged the Principal failed to follow proper procurement processes for two capital works projects at the School:

- the purchase and installation of a shade shelter in 2017-18 at a cost of \$280,000
- the construction of building works in 2016-17 at a cost in excess of \$400,000.

School procurement rules

196. There are several policies setting out the procedures schools must follow when purchasing goods from suppliers for public construction:

- *Financial Manual for Victorian Government Schools*
- *Project Development and Construction Management Act 1994* (Vic) ('the PDCMA')
- Ministerial Direction No. 1: Tendering Provisions for Public Construction
- *School-funded Capital Projects Policy*.

197. Under the PDCMA and Ministerial Direction No. 1 in place at the relevant time, at least three quotes were required for works estimated at more than \$25,000 and up to \$150,000 but not in excess of \$200,000. When work is estimated to exceed \$200,000, tenders must be sought from at least three pre-qualified contractors or by public advertisement.

198. The *School-funded Facilities Policy*⁶ also requires school councils to seek approval from the Victorian School Building Authority ('VSBA') or its predecessor, the Department's Infrastructure and Sustainability Division, before obtaining tenders or quotes or commencing building works exceeding \$50,000.

Shade shelter project

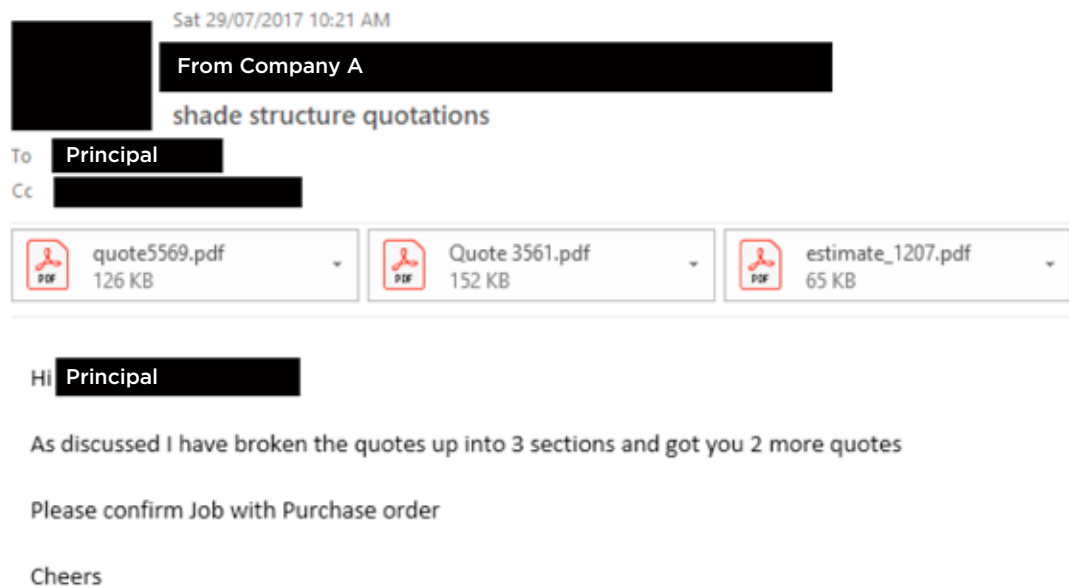
199. The Principal's work emails evidence that in 2017, the School decided to construct a shade shelter over an outdoor area. They show that both the Principal and the Treasurer were involved in contacting a company, Company A, and sought a quote for the work.

200. Emails show the Principal requested that Company A obtain two further quotes for the work from Company A's competitors, which Company A provided to the Principal. The investigation notes that the School should have obtained independent quotes. An email from Company A to the Principal on 29 July 2017 states, 'I have ... got you two more quotes' (see Figure 15).

201. There is evidence the Principal used this approach again in early 2018. An email from Company A dated 19 April 2018 suggests the Principal (or someone from the School) asked Company A to obtain additional quotes for the purchase of umbrellas in 2018 for the School (see Figure 16). Company A states it has 'received one quote from [another company]' and is 'still waiting on one from [a third company]'.

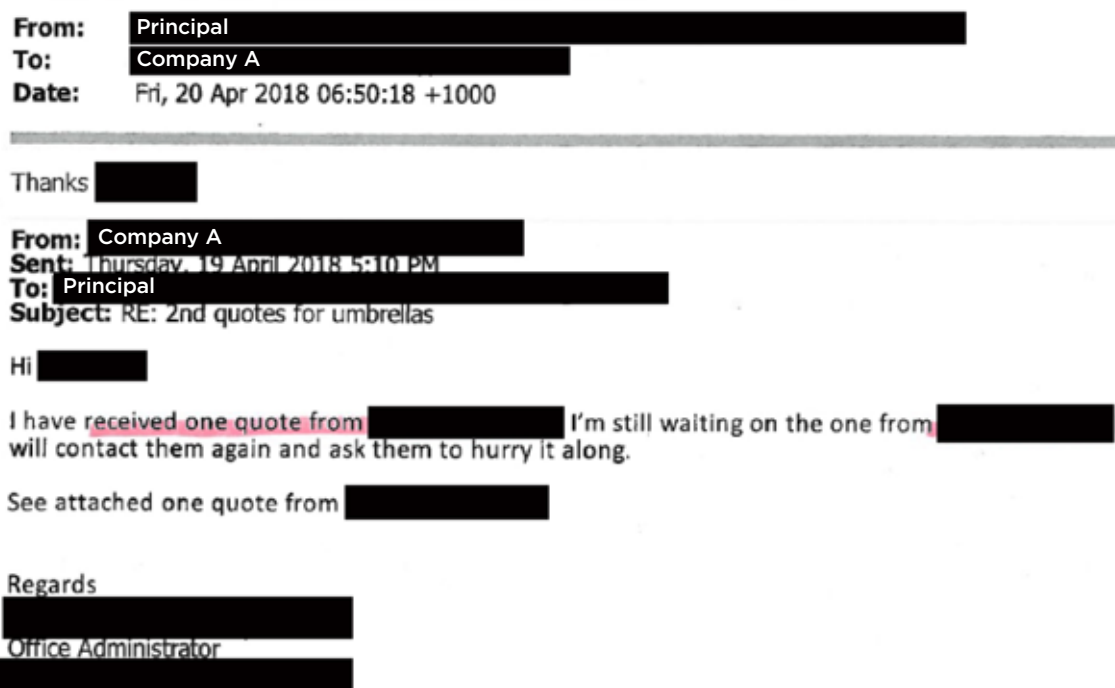
⁶ *School-funded Facilities Policy* (2015) and *School-funded Facilities Policy* (2017).

Figure 15: Email from Company A to the Principal, 29 July 2017



Source: Department of Education and Training

Figure 16: Emails between the Principal and Company A, 19 April 2018



Source: Department of Education and Training

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202. At interview, when investigators asked the Principal about these emails, he said: 'I think there were two more quotes because we needed three quotes'. The Principal said the School would usually obtain other quotes itself, but 'maybe they [Company A] had contact with other businesses or something' and could obtain multiple quotes.
203. The quote provided by Company A to construct the shade shelter was accepted by the Principal. The total cost for the works quoted by Company A was \$280,000.
204. At the time, the PDCMA, Ministerial Direction No. 1, *Schools Procurement Procedure* and *School-funded Capital Projects Policy* all required tenders to be sought for works of this size from at least three pre-qualified contractors or by public advertisement. However, the Principal did not follow a tender process for the \$280,000 works. The Department confirmed the VSBA's permission was not sought or obtained as required under the *School-funded Facilities Policy*.
205. At interview, the Principal admitted there was no tender process for the project. He said he 'didn't know you had to do it'. He was unsure of the procurement rules, claiming (incorrectly) that 'I think up to \$125,000 ... it's one quote ... Between \$125,000 and ... over \$250,000 you must get three quotes'. When investigators took him through the procurement requirements, the Principal said he '[wasn't] aware of that'. He gave evidence it was normal practice for the School to obtain three quotes for works of this scope.
206. The Principal said the School Council's finance committee was responsible for procurement but admitted it was reasonable that as Principal, he should know the rules.
207. In this regard, the Treasurer and School Council were responsible for approving the decision to engage Company A. The Treasurer was aware of the purchase and assisted in obtaining the three quotes from Company A, but appeared to be unaware of the procurement obligations requiring a public tender process.
208. The evidence of the Treasurer is that the School Council President at the time queried whether there should be a tender process, and the Principal responded it was not required because the costs were split (there was no single lump sum payment that triggered a tender process). At the time, the Treasurer did not know a tender was required.
209. Emails between the Principal and Company A show the Principal requested Company A to break up the work into three phases with three separate quotes, which totalled \$280,000. As a result, each of the quotes from Company A was under the tendering threshold. An email from Company A to the Principal on 29 July 2017 states 'I have broken the quotes up into three sections.' The Principal responded in an email on 1 August 2017 thanking them for the three quotes and providing three different order numbers.
210. Investigators put to the Principal that the emails could be interpreted as evidence he and Company A broke the quotes into separate order numbers to avoid a tender process. The Principal denied he had engaged in 'invoice-splitting'. He repeated he was unaware of the Department's tender rules. He said he believed the quotes were broken down because Company A needed partial payment before the works had been completed and that the School could not afford to pay the whole amount in a single month.

211. The Department told the investigation that as part of the 2016-17 and 2017-18 School Certification Checklists, the Principal had responded to questions relating to procurement requirements as follows:

- Have appropriate procurement processes been undertaken for all purchases of goods and services? 'Yes'
- Have the correct purchasing thresholds been applied to all purchases of goods and services? 'Yes'
- Can the school confirm payments are only made on receipt of an invoice and after the delivery of goods and services? 'Yes'
- Do all persons at the school who undertake procurement activities have the appropriate level of capability to do so? 'Yes'.

215. At interview, the Principal told investigators 'there were some quotes' for this project. However, there was no evidence that the School obtained further quotes from other suppliers.

216. On 12 July 2016, Company B emailed the Principal with an attached invoice for \$310,750. The Principal responded asking Company B to 'create this invoice as three separate ones, totalling this amount' (see Figure 17 overleaf).

Building works

212. The Principal's work emails evidence that in 2016, the School decided to complete building works at the School. The Principals' emails show he contacted a company, Company B, and sought a quote for the work. The emails do not evidence any involvement of the Treasurer in this purchase.

213. Emails show that on 8 April 2016, the Principal obtained and accepted a quote for \$309,650 on behalf of the School.

214. As the works were valued at \$309,650 by Company B, a tender process was required under the PDCMA, Ministerial Direction No. 1 and the *School-funded Capital Projects Policy*. However, a tender process was not followed by the Principal on the School's behalf. In addition, the Department confirmed that the VSBA's permission was not sought or obtained as required by the *School-funded Facilities Policy*.

Figure 17: Emails between the Principal and Company B, 12 July 2016

RE: Invoice 0151177 from [REDACTED]

To: Company B [REDACTED]

Cc: [REDACTED]

Hi [REDACTED]

Can you please create this invoice as three separate ones, totalling this amount (representing the three areas done)

Regards

Principal [REDACTED]

-----Original Message-----

From: Company B [REDACTED]

Sent: Tuesday, 12 July 2016 11:03 AM

To: Principal [REDACTED]

Subject: Invoice 0151177 from [REDACTED]

Hi [REDACTED]

Here's invoice [REDACTED] for 310,750.00 AUD.

The amount outstanding of 310,750.00 AUD is due on 15 Jul 2016.

View and pay your bill online: [REDACTED]

From your online bill you can print a PDF, export a CSV, or create a free login and view your outstanding bills.

If you have any questions, please let us know.

We have enjoyed working with you!

Source: Department of Education and Training

217. On the same day, Company B sent three separate emails to the Principal each containing an invoice to the value of \$103,583.33. The invoices had individual invoice numbers but were all dated 30 June 2016. The School paid two of the invoices in July 2016.
218. At interview, when investigators put it to the Principal that the evidence suggested invoice-splitting, he responded:

It was about timing the project ... we do a little bit, we see what it looks like. Are we happy with it? No? Ok let's change some things in the next quote. We wanted some coloured panels. You have a look around, you'll see the differences. The first one is all that silver look. Then we wanted it to be different. Then we wanted it to be different with the three folding doors that come back.

219. The Principal also said it could have been due to 'cash flow' because at the end of Term Two, the School may have been waiting for the next 'SRP' (Student Resource Package) in full. He said:

I wouldn't have known how much money we had in the account but I know we would never have \$310,000 to spend on one item.

220. On 26 August 2016, the School received an email from the Financial Services Division of the Department querying the School's two invoices of \$103,583.33 both dated 30 June 2016 as a result of accounts payable testing. The email stated that the Department's auditors, the Victorian Auditor General's Office ('VAGO'), had requested additional documentation regarding these invoices (see Figure 18).

Figure 18: Email from Department of Education Financial Services Division, 26 August 2016

From: Schools Financial Transactions
Sent: Friday, 26 August 2016 4:57 PM
To: the School
Subject: Request for supporting documentation by the Victorian Auditor-General Office (VAGO) - Accounts Payable testing

Dear [REDACTED]

My name is [REDACTED] and I work in Financial Services Division at the Department of Education and Training as part of the schools transaction team.

Your school has been randomly selected to provide supporting documentation for the following transaction.

school_code	School_name	SUPPLIER	TRBATCH	TRPERD	TRTYPE	TRDATE	INV_DATE	TRREF	TRXLEDGER	TRXCODE	TRAMT
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	201607	I	13/07/2016	30/06/2016	[REDACTED]	[REDACTED]	89204	103,583.3
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	201607	I	25/07/2016	30/06/2016	[REDACTED]	[REDACTED]	89204	103,583.3

Our auditors (VAGO) have requested that you provide details of the transaction and supporting documentation including:

- a scanned copy of the invoice
- a scanned copy of the credit voucher payment approved/signed by the principal

If you have any queries or would like to discuss this request please contact me.

It would greatly appreciated if we could receive the documentation at your earliest convenience.

Thank you for your assistance.

Kind regards

[REDACTED]
[REDACTED] Schools transactions | Financial Audit Reform Project | Financial Services Division
Department of Education and Training

T: [REDACTED]
E: schools.transactions@edumail.vic.gov.au
W: www.education.vic.gov.au



Source: Department of Education and Training

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221. The Business Manager gave evidence they responded to the email by phone and told a Financial Services Division officer this was not an inadvertent mistake but two deliberate payments. They also informed the Department that a third payment of the same amount would be made shortly.
222. After this, the Principal asked Company B to split the third invoice for \$103,583.33. On 31 August 2016, Company B emailed the Principal advising that the invoice had been split into two and 're-submitted'. The attached invoice split the \$103,583.33 into two smaller amounts with two separate invoice numbers - one for \$64,500 and one for \$39,083.33. The School's payment records show it paid these amounts to Company B (see Figure 19).
223. At interview, the Principal told investigators he requested Company B to split this invoice a second time as a result of the VAGO audit.
224. Investigators put to the Principal that these emails were evidence of 'invoice- splitting' into non-tenderable amounts to disguise the need for a tender process for this project. The Principal told investigators he did not seek to separate the invoices to avoid a tender process. Rather, he wanted to ensure the School could pay the invoices while still maintaining sufficient cash flow.
225. The Principal also said the School never considered the works by Company B to be one job:

It was over a period of 18 months I think, maybe longer ... we weren't sure [when] we were going to do it each time and how it was going to look. So, each time, we would get a new quote for the work to be done and if the quote was under that amount well, I thought it was under that amount so it was okay.

Figure 19: Emails between Company B and the Principal, 31 August and 1 September 2016

Thu 1/09/2016 6:52 AM
From Principal
RE: Invoices
To: 'Accounts' at Company B
Thanks [REDACTED] I'll organise payment

From: Accounts [REDACTED] at Company B
Sent: Wednesday, 31 August 2016 4:03 PM
To: Principal [REDACTED]
Subject: Invoices

Hi [REDACTED]

I have just resubmitted the [REDACTED] invoice and split it into 2 as requested by [REDACTED]

You should have the following:

INV-0151184 - \$64500.00
INV-015199 - \$39083.33

TOTAL = \$103,583.33

Apologies for the confusion.

If you require and further changes or clarification please don't hesitate to call me directly.

Regards,

Source: Department of Education and Training

Further potential invoice-splitting

226. In the course of investigating the allegations that the Principal failed to follow the rules of procurement in his transactions with Company A and Company B, investigators identified another case of apparent invoice-splitting by the Principal in the School's cash transactions report.
227. In late 2017, the School contracted with Company C to complete further building works around the School. On 10 May 2018, Company C sent an email to the Principal attaching three invoices for works totalling \$108,658 (see Figure 20).
228. The Principal responded to Company C the same day:
- Can I ask you to split two of these invoices into two or three please ... no more than \$25k each including GST. (The process is much easier that way.)
229. On 11 May 2018, Company C emailed the Principal the six invoices as requested. The items in these invoices were the same as those included in the three invoices dated 10 May 2018, with the total amount in both cases being \$325,974.
230. At interview, the Principal told investigators he did not know about this matter, and the first Assistant Principal had been managing this project. He stated:
- It might be the impression [splitting invoice to avoid tenders] but certainly the concreting, it was bits here and bits there.
231. In response to the draft report, the Principal said he was 'unaware of the concerns' regarding procurement procedures; and he was:
- certain [the first Assistant Principal] did not approach me regarding the use of a tender process for anything.

Figure 20: Email between Company C and the Principal, 10 May 2018

RE: Quote Building slab and volleyball court

From: Principal [REDACTED]
To: Company C [REDACTED]
Date: Thu, 10 May 2018 11:53:16 +1000

Thanks [REDACTED] for these and I'll arrange payment.

Can I ask you to split two of these invoices into two or three please...no more than \$25k each including GST. (The process is much easier that way)

Regards

[REDACTED]

From: Company C [REDACTED]
Sent: Thursday, 10 May 2018 9:26 AM
To: Principal [REDACTED]
Subject: RE: Quote Building slab and volleyball court

[REDACTED]

Attached are the invoices for the completed works at the school.

There are some extra costs above the original works due to the

- The engineers requirements for the construction.
- Thicker slab needing specially made pods and more concrete
- Services encountered during demolition that needed to be dealt with
- Sand for volleyball court had a price increase
- Extra charge for the wrap down of the rubber rock

If there are any issues please give me a call.

I've also attached insurance and certificate of currency for your file

Thanks

[REDACTED]

Source: Department of Education and Training

Findings

232. The investigation substantiated the allegation that the Principal failed to follow procurement policies and procedures in relation to the purchase and installation of shade sails valued at \$280,000. It also substantiated the allegation that the Principal failed to follow procurement policies and procedures in relation to the building works. It noted this project was valued at more than \$300,000, rather than the \$400,000 originally alleged by the protected disclosure complaint.
233. At interview, the Principal said he was unaware of the amount that triggered a tender process. It is reasonable to expect that a principal would be aware that works in excess of \$150,000 are required to be publicly tendered; and in neither case was this done.
234. In 2017, the Principal emailed Company A requesting two more quotes from their competitors. The Principal then requested Company A break the total amount into three amounts of less than \$150,000, being the threshold for a tender process.
235. In 2016, the Principal also requested that Company B split the total cost of the work into three separate invoices. Following enquiries by VAGO and the Department, the Principal requested the provider to split the third and outstanding amount to avoid further detection.
236. Investigators identified other examples of apparent invoice-splitting in both emails and in the School's cash transaction report.
237. The Principal's evidence was he was not aware of the procurement policies and processes, and so any failure to follow them was not intended to manipulate the procurement process to avoid the tender process.
238. The fact that the Principal requested the splitting of the invoices surely demonstrates he knew the amount that triggered the tender process, and strongly suggests, on balance, he was aware, to some extent, of his obligations under that process.
239. In relation to his failure to follow the procurement process, the Principal breached the following obligations:
- section 61 of the Public Administration Act by failing to uphold public sector values, principles and standards provided by the Code of Conduct, in particular:
 - o section 3.1 – failure to act honestly in the performance of his duties, and failing to act transparently in his conduct
 - o section 3.3 – failure to demonstrate financial probity
 - the procurement policy for Victorian Government Schools by invoice-splitting consisting of:
 - o Ministerial Direction No. 1: Tendering Provisions for Public Construction by not seeking at least three written quotes for building and construction works between \$25,000 and \$200,000, and not following a public tender process for purchases in excess of \$200,000; and
 - o the *School-funded Capital Projects Policy*, in particular:
 - not seeking approval from the appropriate officers within the VSBA when building works exceeded \$50,000
 - proceeding to obtain tenders, quotations for works and commence works estimated to exceed \$50,000 without having first received written approval from the responsible Manager in the VSBA's Project Delivery Branch

-
- clauses 2 and 3 of his contract of employment by failing to comply with guidelines issued by the Department and duties specified in the contract including:
 - o to represent the policies of the Department to the School Council and community
 - o to ensure compliance with relevant legislative and policy requirements
 - o to provide timely and professional advice to the School Council on the operation of the School and council responsibilities
 - o to ensure all procedures comply with relevant legislation.

240. The investigation has identified a number of transactions that breached the Department's procurement policies and guidelines; however, only a comprehensive audit during the Principal's tenure would show the full extent of the breaches.

The recruitment allegation

241. The final allegation was that the Principal failed to follow proper recruitment processes in relation to five named staff at the School. Specifically, it was alleged the Principal generally convened and sat on recruitment selection panels with two, rather than three panel members, to control recruitment outcomes.

School recruitment rules

242. The Department's *Recruitment in Schools* policy sets out detailed requirements for recruitment, transfer and promotion of staff in schools.
243. The policy requires schools to advertise vacancies longer than six weeks (with limited exceptions). It states the principal must ensure a selection panel is established for each vacancy to 'recommend to the principal the best applicant on the basis of the evidence available'. The policy states the selection panel must include 'at least three persons'.
244. The policy also requires principals and other panel members to 'avoid any real or perceived conflict of interest in the selection process'. It requires principals and panel members who consider they may have a conflict to declare it and any steps taken to manage the conflict. The policy cites 'the employment of a family member' as one example of a conflict.
245. Under the Department's conflict of interest policy,⁷ schools are required to 'take reasonable steps' to address the risks of identified conflicts, which includes maintaining a conflict of interest register.

The School's selection panels

246. The investigation looked at documents for a sample of 28 recruitment processes at the School between April 2016 and June 2018. Through these processes, a total of 31 positions were filled, with three of the recruitment rounds filling multiple positions.
247. Investigators obtained recruitment documents during an inspection at the School on 23 October 2018. It is unlikely these documents related to all recruitment processes at the School between April 2016 and October 2018. However, they showed how recruitment panels were constituted and gave some insight into the School's deliberative processes.
248. Investigators did not identify evidence to support allegations in relation to the five named staff who had been recruited by the School.
249. Of the 28 recruitment processes, 12 involved a panel of just two people. Fourteen processes involved a panel of three and one involved a panel of four people. In one case, the documents did not show how many people were on the panel. The Principal was on every panel in every recruitment process considered by investigators.
250. At interview, the Principal told the investigation he did not know the *Recruitment in Schools* policy required three panel members. He said he thought the requirement was for a minimum of two.
251. In response to the draft report, the Principal said:
- With regard to the size of employment selection panels, again my experience is that at least two people were needed on a panel with a gender variety.

⁷ Department of Education and Training, Human Resources, *Conflict of Interest* policy, Last updated 3 July 2018, 7.

Employment of family members

252. During interviews for the investigation of the allegations, some School staff told investigators the School had sometimes employed family members of existing staff.
253. Investigators heard the Business Manager's relative's company had been contracted to mow the lawns at the School without a proper procurement or recruitment process. At interview, the Business Manager confirmed their relative was employed by the School. While the Principal gave evidence he obtained quotes from a number of businesses for gardening services, investigators did not find any such quotes. The Business Manager said their relative had an interview with the Principal but it was 'all quite casual'.
254. Investigators heard that four other family members of three other staff had been employed at the School over the years; however, these matters were outside the scope of the investigation.
255. The Principal said conflict of interest declarations were kept on recruitment files. Investigators asked the Principal if the School had a conflict of interest register in place. The Principal said he '[d]idn't think we had to have one'. However, it was the Principal's responsibility to ensure the School maintained a conflict of interest register and staff reported conflicts of interest.
256. The Department advised the investigation the Principal certified the School was following conflict of interest requirements in 2016-17 and 2017-18. The Principal responded to the Department's questions relating to conflict of interest requirements as follows:
- Has the school principal implemented the Conflict of Interest Framework at school level? 'Yes'.
 - Has the school had any incidences of conflict of interest during the year? If yes, please provide details in the comments area. 'No'.

Findings

257. The allegation that the Principal failed to follow recruitment processes in relation to specific individuals is not substantiated. However, the investigation did find that the Principal repeatedly failed to observe the recruitment policy by sitting on selection panels with only one other panel member.
258. Investigators considered 28 recruitment processes from 2016 to 2018 – the Principal was on every panel and 12 had panels of two people.
259. The Principal breached the *Recruitment in Schools* policy by failing to have a selection panel of at least three panel members in 12 out of 28 recruitment processes reviewed by this investigation.

School controls and oversight

260. The evidence highlights the level of autonomy and responsibility afforded to school principals in Victoria, and the consequences of misuse. It raises questions about the School's and the Department's oversight of the Principal – how the Department appointed a former bankrupt to manage a school with a budget of over \$10 million; why the School's internal controls failed to prevent the Principal's misconduct; and why the Department apparently failed to notice financial and other irregularities at the School.

261. Investigators examined the internal supports and controls in place at the School and the Department's systems and oversight, to identify whether similar problems might be avoided in future.

The School's internal controls

262. The School had two key supports and controls to ensure its Principal met his financial and administrative obligations – its Business Manager and the School Council.

The Business Manager

263. School business managers assist with school administration, finance and human resources. They are expected to have knowledge and experience regarding human resources and financial management records systems and sound knowledge of financial management legal requirements and practices.

264. The evidence suggests the School's Business Manager lacked the training and skills to identify and address the Principal's breaches of financial management rules.

265. At interview, the Business Manager told investigators they were initially employed doing 'general office admin', continued working in office administration for approximately five years, and were given added responsibility for administering payments and other small financial matters. The Business Manager said they were promoted to the Business Manager role in or around 2014.

266. The Business Manager said they did not receive training until they started in the role. When investigators asked what training they received, the Business Manager said they had done 'all of the government ones'. The Principal said the Business Manager also attended an annual conference for school business managers.

267. The Department supports school business managers through its Senior Finance Liaison Officers ('SFLOs'), who are employed to provide finance guidance and support to schools. The Department's website says they offer workshops and briefings for new business managers and can assist with issues such as internal controls and compliance with finance policies.

268. In the case of the School, it engaged its own contractor, the Consultant, to provide budget planning assistance to the Business Manager and School staff. The Business Manager's evidence at interview suggests they believed the Consultant was an SFLO, but this is incorrect.

269. When investigators asked the Business Manager about the Principal's use of cash cheques, they did not appear to be aware that the Department's *Internal Controls for Victorian Government Schools* states that cheques must not be made to cash. They said the first time the Principal requested a cash cheque, 'it did ring alarm bells because I've been there a long time and no one's ever asked for it'. They said they looked for information but could not find guidelines.

270. The Business Manager also recalled speaking with the Consultant. They said the Consultant responded there was no problem as long as the Principal provided receipts, 'every principal is different', and they should do what they were told.

271. The Business Manager said it had taken 'a little while' for the Principal to provide receipts for goods purchased with the cash cheques, but '[e]verything I've asked, [he has] given me answers for'. They told investigators:

I do what I'm told. [The Principal has] told me to do this so I just process the cheque and [he does] what [he wants], and I have to follow up for the receipts.

272. The Consultant told investigators at interview they did not recall telling the Business Manager to do as they were told. The Consultant said, while the Business Manager may have inferred words to that effect, it was not their role to tell business managers what they should and should not do in such matters. The Consultant said their role at the School was focused on 'getting things right'. For these reasons, the Consultant doubted they would have told the Business Manager to simply do what they were told by the Principal.

273. The Consultant told investigators the only cash cheques they were aware of at the School were those used to top up the purchasing card. They said they told the Business Manager this was not good practice.

274. The Consultant said they had worked with 50 or 60 schools and 'a lot of business managers in schools don't come from an accounting background'. They considered this problematic because often it means business managers are:

driven by process ... and don't see [that] the accounting picture ... is what it's all about ... accounting is about providing reliable reports to make good economic decisions.

275. The Consultant said the cost of employing a qualified accountant is approximately \$130,000, compared with \$60,000-\$90,000 for a business manager. They said schools are focused on teachers and teaching outcomes and prefer to pay teachers rather than other qualified staff.

276. The Consultant gave evidence they believed there was a systemic lack of high-level accounting skills amongst school business managers:

It's the nature of the Department in the sense that it hasn't sought for qualified people in roles. Someone would come in and do the ... administration ... The business manager would leave or the bursar would leave and [the school says], 'Oh, could you take over that role and fulfil that role?'... My belief is it that anyone in that role should have an advanced diploma in accounting or a degree of that kind.

The School Council

277. The role of a school council is to set and monitor the school's direction. The school council oversees the school's finances, its annual budget and performance, and ensures financial records of the school's operation, including contracts, are properly maintained.

278. The Education and Training Reform Act confers significant financial oversight functions on school councils. The Act requires them to 'ensure that all money coming into the hands of the council is expended for proper purposes relating to the school' (section 2.3.5). The Education and Training Reform Regulations (regulation 45) imposes further responsibilities, including requirements to:

- maintain records in a form to show that all money in the school council's name is 'properly expended' and authorised, 'adequate control' is maintained over assets and there is 'avoidance of waste and extravagance'
- develop and maintain 'adequate internal controls'.

279. The Senior Education Improvement Leader (SEIL) emphasised the importance of school councils and the need for proper training. They told investigators:

The school council plays a really strong role in this ... I think a school council should be trained so they understand their responsibilities. Not every school council is agreeable to everything that the principal wants to say or do, some of them are much more capable than others.

280. The 2018 Victorian Auditor-General's report concluded the Department also needed to clarify the role of school councils and their relationship with principals. It said:

The role of school councils and the performance expectations of their members remains ill-defined and is not well understood. This lack of clarity leaves school council objectives open to widely varying interpretations and creates confusion about the boundaries between the roles of the principal and the school council.⁸

281. The evidence shows, in this case, the School Council was apparently not able to hold its Principal to account.

282. The Treasurer gave evidence that the School Council had not been informed of a number of financial matters, including the decision to purchase the concrete table setting at the School or the Departmental audits at the School. The Treasurer said:

[The] School Council still don't even officially know that cash cheques were made. Yet we're in charge of internal controls. How are we meant to fix something that we ... don't know happened?

The School Council finance sub-committee

283. School councils usually have a finance sub-committee to handle routine financial responsibilities, including the development of schools' annual budgets. The Department's website contains guidance for finance sub-committees but does not specify any formal requirements of such committees regarding financial oversight.

284. The School Council had a finance sub-committee, at the relevant time, with six members: the School Council President, the Treasurer, the Principal, the first Assistant Principal, the Business Manager and the School's Office Manager. It met once a month, one week before the School Council meetings. The process for the sub-committee meetings was as follows:

- The Business Manager prepared financial documents, including a cash payment report listing of all of the School's receipts and payments for the previous month and a cover sheet listing all the cheques.
- The Principal would ask the Business Manager to discuss any major items of expenditure and any issues which the sub-committee should be aware of.
- The committee generally first looked at the cover sheet with the list of cheques and significant payments and then went through the cash payments report and interrogated individual payments, if there was time.

285. The investigation heard the finance sub-committee meetings went for around 10-20 minutes. Members interviewed for the investigation said the meetings were too brief to adequately consider all the documents and payments. The Principal said he would have preferred longer meetings but he inherited the process and 'you can't do everything'. He believed the finance sub-committee was just a 'compliance thing'.

⁸ Victorian Auditor-General's Office, *School Councils in Government Schools* (2018) 8, 14.

286. When investigators asked the Treasurer about the School's use of cash cheques, they said that had not been clear from the financial documents. Instead, the documents just stated 'cash' along with the relevant line item in the School's budget. The Treasurer said they struggled to get a clear understanding of a number of transactions where cash cheques were used, because the Business Manager's frequent use of cash cheques to top up the School purchasing card made the reports difficult to analyse.

The Treasurer

287. School Councils can appoint a treasurer to convene the finance sub-committee and help the council and principal oversight schools' financial performance and budget. The treasurer is often a parent.

288. In the case of the School, the evidence suggests that the Treasurer, like the Business Manager, lacked the specialised experience and training to identify and address the Principal's conduct.

289. At interview, the Treasurer said their background was in childcare. The Treasurer first became involved in the School through the School's Parents' Club and then joined the School Council. Once on the School Council, the Treasurer told the investigation they became the Treasurer 'basically because no other parent wanted it'.

290. The Treasurer said they did not receive any training for the role. They asked for training but it 'didn't happen', telling investigators 'I learnt myself'.

291. The Principal told investigators he did not recall the Treasurer asking for training but said he 'wouldn't have discouraged it'. His focus for professional development was the Business Manager and other office administration staff.

292. The Treasurer said they questioned some of the processes at the School, particularly after reading a finance module provided by the Principal. They said they asked to become the co-signatory to the School bank accounts, but the Principal told them 'that's not what the Department does' and one of the Assistant Principals was the co-signatory.

293. The Treasurer said they had recently attended school finance training and learned other schools have their school council president as the co-signatory, and there were other procedures the School was meant to follow, such as checking its assets regularly. They said the School staff 'told me the process of everything. I suppose I was naïve'.

294. Following interview, the Treasurer contacted investigators in mid-2020 to say the Treasurer tried to meet the expectations of the role, but the School's new principals 'challenged me the whole time'. The Treasurer said:

They didn't see it as you saw it and I really tried to follow through with the new information and expectations you gave me within the roles I undertook within the school.

295. The Treasurer said 'I could no longer witness the process of our government school' and resigned from the role.

The School Council meetings

296. The finance sub-committee members could take the financial documents away to consider in more detail before they were formally tabled at the School Council meeting the following week. The Treasurer told investigators they carefully read the financial documents between the finance sub-committee meetings and the School Council meetings, and often contacted the Principal to query payments.

297. At the School Council meetings, members could further discuss any issues about payments.

298. The Principal also tabled his finance report at School Council meetings. As with the finance sub-committee, the evidence shows the Principal did not attach a lot of importance to financial reporting to the School Council. For instance, the following report by the Principal suggests that financial matters were only dealt with in a cursory manner (see Figure 21).

Figure 21: Excerpt from the Principal's report to School Council, November 2017 (Investigator's emphasis)



School Council

Principal Report November 2017

Plans for 2018 have been well underway for three months now: Our AIP (Annual Implementation Plan) is in draft form and will be presented to School Council at our final meeting for the year. Our focus is clear: improved student learning alongside student engagement and wellbeing.

1. **Staffing:** There are two additional staff movements for 2018 and we are currently advertising to find the best replacements. We will be appointing three Learning Specialist Teachers over the next 18 months: these are exemplary teachers who open their classroom as demonstration spaces for student use of high yield strategies, high impact strategies and high reliability literacy teaching procedures. Through observation, modelling and feedback, the capacity of other teachers to be more effective and precise is built.
2. **Budget:** We have a small surplus: It is currently around \$174,000. Our draft cash budget for 2018 is being finalised and there is no increase to parent contributions for 2018. (I will bring the information to Council for approval.) The main large expenditure items are \$120,000 for laptop devices for students, \$30,000 for a beach volleyball area, \$25,000 for additional seating and we carry forward (for payment) the shade structure over the P-6 asphalt play area and the rubber re-surfacing of the asphalt.
3. **The Education State:** The priorities for our school for 2017 are continuing to build on our work and partnerships last year:
 - building practice excellence; regarding what teachers and students do in the classroom.We will continue this work into 2018 with a renewed urgency and intensity. Our main overall goal will be to further increase expectations thus increasing achievement. Our

Source: Department of Education and Training

Departmental support and oversight

299. The Department also has some responsibility for ensuring appropriate governance in schools. The Education and Training Reform Act imposes governance functions and obligations on the Department:

- providing for the Secretary of the Department to employ school principals, taking into account recommendations of school councils (sections 2.4.3 and 2.4.6)
- requiring the Secretary of the Department to 'ensure that an effective quality assurance regime is in place over the financial and operational activities of school councils' (section 2.3.7).

300. The evidence raises questions about the Department's oversight in this case.

Principal selection processes

301. The Minister for Education's selection criteria for principals in Victoria recognises that principals need governance as well as teaching skills. Ministerial Order 1006 – Principal (Selection Procedures and Grounds for Review) sets out the criteria. One of the selection criteria is 'Demonstrated capacity to ensure that the school's human, physical and financial resources are efficiently allocated and managed'.

302. In the Principal's case, his past bankruptcy would have raised questions about his ability to satisfy this criterion.

303. However, the selection panel that recommended the Principal was not aware of his past bankruptcy. Bankruptcy does not disqualify a teacher from registration with the Victorian Institute of Teaching or from appointment as a principal in Victoria. While the Department does not require candidates to undergo bankruptcy searches, candidates are required to make a declaration of any prior bankruptcy as part of their Declaration of Private Interests.

304. The Departmental officer who sat on the selection panel told investigators at interview that had they known of the Principal's bankruptcy, they were likely to have made a different decision. They said knowledge of the bankruptcy:

would have put a big question mark in my mind of course, in terms of [the Principal] managing a budget.

305. Following the Principal's appointment, the Department required him to complete an annual declaration of his private interests, which asked about bankruptcy. Investigators identified reminder emails from the Department to the Principal to provide his declarations for 2015 (three reminders), 2016 (two reminders) and 2017 (two reminders). The Department advised it only holds one declaration of private interests from the Principal for 2018 (see Figure 22 overleaf). In that declaration dated 16 May 2018, he stated 'no' to the question 'Have you been declared bankrupt or been the subject of any order under the Bankruptcy Act 1966 (Cth)?' When investigators asked the Principal about this at interview, he said he assumed the declaration only related to the previous year.

Figure 22: Excerpt from the Principal's 2018 declaration of private interests, 16 May 2018

DECLARATION OF PRIVATE INTERESTS

Date of Declaration: 16/05/2018 07:00:34

B Probity

B1 Have you been declared bankrupt or been the subject of any order under the Bankruptcy Act 1966 (Cth)? If Yes, please provide details.

No

Source: Department of Education and Training

Training for principals

306. The Principal told investigators at interview that his role at the School was the first time he had been responsible for financial matters at a school. He said in his previous role as Assistant Principal at another school, his involvement in financial matters was 'very limited' and was generally confined to approving and signing purchase orders.
307. The Principal said his training for the role was 'mostly on the job'. He told investigators there was an induction course for principals, but it had a teaching focus. He said there was also some training for principals through the Bastow Institute of Educational Leadership (a State Government institute that provides professional learning to educators) but he felt the focus of a lot of that training was also around 'educational leadership' and 'building teams'.
308. The Principal said he had completed some training about recruitment and finance responsibilities. He completed 'merit and equity training' in or around 2009, which was needed for conducting interviews, and a one-day course called 'Talking Finance'. He said he remembered:
- that you don't open accounts at stores ... because the principal and finance manager become personally liable for debts.
309. He said he did not pay a great deal of attention to finance issues and felt there were more pressing issues at the School:
- my expertise is not in understanding the statements or in managing them. There's other people who are employed to do that.
310. By contrast, the Department told the investigation that on 7 August 2015, the Principal attended a 'Resourcing my Principalship' session for new principals and business managers.
311. The agenda included:
- an outline of the legal framework for schools, sound purchasing and contract management procedures
 - a practical overview of desirable practices to ensure risk and audit compliance in schools
 - an outline of the financial management services and support provided by the Department
 - an overview of what Principals need to know about school finances
 - an outline of the 'Bricks & Mortar' school leadership issues, including buildings, grounds, maintenance and how to successfully manage them.

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312. The SEIL also told investigators that principals receive training in financial management:

They are offered 'Dollars and Cents' [training]. Certainly, they would do training with their business manager - that's there for them to access. The Department provides technical coaches who support principals with the SRP and planning through the School Resource Package, so there is a dedicated person for the principal to access to do that, and I recommend to some principals that they use them ... they know about these people. Yes, there is training that can be accessed, but I'm not sure it's compulsory.

Support for principals

313. The Principal also gave evidence about the personal challenges involved in his appointment as principal of the School.

314. The Department provides support to school principals through its SEILs, who each provide local leadership to approximately 25 schools and principals. They are meant to collaborate with principals, identify and provide support to them and drive improvements. This includes overseeing sound financial practices and the management of resources.

315. SEILs also mentor principals with whom they are in regular contact. They are the primary contact for principals but can refer principals to other supports.

316. The Principal said he did not speak to the SEIL about the issues and his difficulties at the School until 2018, or possibly the end of 2017. He said, 'Being new to the role of the principal, I didn't want to make it look like I was not coping'. The evidence shows the Principal emailed the SEIL on 12 August 2018 seeking the SEIL's support.

317. The Principal considered he was not provided with sufficient support:

I was never really sure of [the SEIL's] role so I took what I could get ... I needed help with some chronic problems in the School ... but it wasn't forthcoming.

318. He said he believed the SEIL may have known he was suffering stress-related conditions arising from his experiences at the School, and felt he got encouragement and someone to listen to him, but:

It's not enough in that role. Nobody tells you what to do. Nobody. You are there and you're left with what is pretty dysfunctional and a poor work culture and a poor place to be at, for kids particularly.

319. By contrast, the SEIL told investigators at interview that the Principal had mentoring and support:

A newly appointed principal would be offered a mentor through Bastow [the Bastow Institute of Educational Leadership] or it may be through a local agreement. I would recommend to every new principal directly that you should have a coach and mentor and it should be a fellow principal.

... I had established what I called a 'design team', there were significant issues with secondary outcomes at that school, outcomes overall but especially the senior secondary. I brought in two experienced principals onto that design team with myself, and [the Principal] met regularly with that team.

... [M]y intention was that [the Principal] would have that support, given the low performance of [the School]. [The Principal] also chose to have [another school principal] who was [his] previous principal to be [his] coach as well. So, [the Principal] had plenty of support at the start.

320. The SEIL told investigators they only became aware the Principal was struggling to cope in the role shortly before his removal, when they received a call from the Principal in a distressed state.

Performance oversight of principals

321. It was not clear from the evidence who was responsible for overseeing and managing the Principal's performance. At interview, the Principal told investigators he reported directly to the SEIL. The evidence shows the SEIL signed off the Principal's performance development plans.

322. Investigators asked the SEIL about their role in overseeing principals. They explained their role in terms of school improvement:

the SEIL role is really about implementation of support for schools in a range of ways to improve their learning outcomes.

323. The SEIL said in terms of their relationship with school principals, 'I like to say that I walk alongside principals', rather than managing principals in any overarching sense. They said:

It's quite a different management position because principals have quite a high level of autonomy in Victoria. So, if I want to do something in a school, I need to form a relationship with the principal, a professional relationship obviously. I need to understand their school and their context, and I need to demonstrate that I understand it.

Departmental financial oversight and audits

324. The Department conducts regular financial audits at government schools as part of its School Council Financial Audit Program. The role of the audit is to report factual findings to the Department about compliance with requirements of the *Finance Manual for Victorian Government Schools*. However, the audit documentation states that it 'does not express any conclusion and provides no assurance on the activities and procedures at [a] School'.

325. The investigation identified there were two opportunities for the Department to identify financial mismanagement at the School.

326. The first opportunity was in August 2016, when VAGO queried two payments of the same amount to Company B. On 26 August 2016, the Department's Financial Services Division emailed the Principal and the Business Manager that VAGO had requested additional documentation regarding what appeared to be two identical payments.

327. The Business Manager said they advised the Department this was not an inadvertent payment, but deliberate. They also informed the Department that another payment was coming. This response should have put the Department on notice of the risk that the School was splitting invoices, but the Department did not make any further enquiries. In response to a draft of this report, the Department stated that the focus of its enquiry was not on the procurement process, but rather the processing of the end of financial year invoices.

328. Another opportunity was in March 2018. On 24 March 2018, the Department conducted an audit at the School under its School Council Financial Audit program. The evidence shows the Principal had already misused cash cheques on several occasions before that date, and that the School did not have an up-to-date asset register at the time.

329. The Department's audit did not identify these issues. The audit found some procedures at the School did not conform to requirements of the *Finance Manual for Victorian Government Schools* and sought comment from the School. However, it did not mention any issues relating to cash cheques.

330. In any event, the Principal took active steps to avoid detection of his misuse of school funds by replacing the school funds before the Department's audit was conducted.

The Department's action

331. The Department provided details of action it has taken to address the governance issues identified by this investigation.
332. These actions are additional to those taken by the Department in response to other recent investigations:
- the IBAC's 'Operation Ord', which investigated the conduct of senior Departmental officers in connection with the use of 'banker schools' and related activities in 2015-16
 - the Ombudsman's 2017 report 'Investigation of three protected disclosure complaints regarding Bendigo South East College' which investigated principal misconduct.

333. The Department's actions in response to the three investigations are summarised below.

Figure 23: Summary of action by Department to address governance issues	
IBAC's 2015 'Operation Ord' investigation report	
2016	<ul style="list-style-type: none"> • 'Resourcing my Principalship' (school finance, audit and assurance) for assistant principals and business managers • CASES21 training for business managers, principals and administration staff in regional Victoria • Information sharing sessions by school finance liaison managers for business managers and support staff • Financial Services Division overseeing school financial management and providing financial management tools • School Certification Checklist self-assessment for governance, finance and assets including annual attestation by principal • School Finance Analytical Review Program • School Purchasing Card Reviews • School Financial Management Support to monitor financial reporting including finance liaison officers providing support to principals, business managers and school finance committee • Strategic Financial Management Advisors for student resource packages, budgets and financial management • School Financial Management and Assurance Framework via school, school council and Department • Financial management policies and procedures.
	<ul style="list-style-type: none"> • School's Procurement Branch considers compliance with procurement policy and analyses transaction data • 'Finance Matters' (financial management and reporting) for principals, business managers and support staff.
Ombudsman's 2017 'Investigation of three protected disclosure complaints regarding Bendigo South East College'	
2017	<ul style="list-style-type: none"> • Finance Manual for Victorian Government Schools available on website for policies and procedures, training and support for principals, business managers and school councillors • 'Improving School Governance' (governance, strategic planning, finance, policy and review), now available online • Certificate IV in Business for business managers, now available online.
This investigation	
2018	<ul style="list-style-type: none"> • School Council Financial Assurance Program oversighted by Audit and Risk Committee • Principal Health and Wellbeing Strategy (Principals' Mentor Project, Proactive Wellbeing Supervisor, Complex Matters Support Team, Principal health checks and Early Intervention Program).
2019	<ul style="list-style-type: none"> • Face-to-face training of school councillors • School council webpage including school council directory • 'Principal Welcome Pack' (support for financial management, budgets, capital works, health and wellbeing) • Reminders to principals of financial obligations, school updates and training • Policy Advisory Library for access to policies, guidelines and resources.
2020	<ul style="list-style-type: none"> • School Council Advisory Service phone line and email helpdesk for governance advice for principals and councillors • Bastow Institute of Educational Leadership Courses including 'Finance Matters', LearnEd platform, Graduate Certificate of Educational Business Leadership for business managers and Business Managers Victoria's Business Managers Merits Program.

334. This timeline shows that:

- The Department took considerable action in 2016 following IBAC's 2015-16 Operation Ord investigation. This was primarily designed to educate, support and develop business managers, including through the introduction of a Business Manager's Capability Framework.
- Following this office's report regarding the Principal of Bendigo South East College in 2017, the Department had a continued focus on financial governance.
- Since the Ombudsman notified the Minister and Department of this investigation in 2018, the Department's focus has been on principal support, health and wellbeing and on informing and supporting school councillors.

335. The Department also informed the investigation it has a comprehensive guide regarding Principal Selection which details the expectations of principals, selection criteria and advertisement and selection processes. It advised its primary method of communicating governance information to principals, business managers, school council members and school staff was via the Department's website. Its newly released Policy Advisory Library is publicly accessible and brings together policy, advice, guidance and governance information for schools into a single portal. It also has secondary governance resources available for principals, business managers and school councillors.

Findings

336. Both the School's internal financial controls and the Department's financial controls failed to detect and address the Principal's conduct over the three years between 2016 and 2018.

337. The School's Business Manager lacked qualifications, training and experience. Although the School engaged a Consultant to help with budget planning, the Business Manager did not use other support available through the Department's Senior Finance Liaison Officer. The Business Manager also was not aware of the Department's *Internal Controls for Victorian Government Schools* policy as it applied to cash cheques. While they looked for guidance, they did not identify any and said they did what they were told by the Principal.

338. The Consultant engaged by the School observed a general lack of high-level accounting skills amongst business managers generally.

339. The School Council was also ill-equipped to prevent and detect the Principals' conduct.

340. The School Council's and Treasurer's work was hampered by several of the School's practices. The time allotted to the finance sub-committee was apparently insufficient to read and digest the financial documents. The Treasurer said the financial documents provided were difficult to understand. The Principal did not accommodate the Treasurer's request for financial training and apparently dismissed their queries. The Principal's reports on the School's finances were brief.

341. The Department's controls also failed to prevent or detect the Principal's conduct.

342. The selection panel that recommended the Principal failed to ensure the Principal had the appropriate governance and financial management skills. The panel was not aware he was a discharged bankrupt, which would have raised issues regarding his ability to manage School funds. The Principal was not required to undergo a bankruptcy search.

343. Ultimately, however, as a principal and senior public servant, the Principal was responsible for ensuring he had adequate knowledge with which to perform his tasks and that he acted with integrity. He failed to truthfully complete his annual Declarations of Private Interest forms, which contained a specific question regarding his bankruptcy.

344. The Principal could have educated himself and sought support in financial management, including financial training and technical coaches, but instead manipulated School finances. He took advantage of the lack of knowledge and experience of his Business Manager and School Council, and his respected position within the School community.

345. The Department missed opportunities to hold the Principal to account. It was only due to the disclosures that the Principal was identified as misappropriating School funds for his own use.

346. It is however clear the Department has been responsive to both IBAC and Ombudsman investigation reports, and now makes available to schools significant information on financial governance. Following this investigation, business managers and school councillors now have a direct line of communication for these officers to the Department. This will ensure they receive the information and are equipped and empowered to challenge the decision-making of potentially wayward principals and hold them to account.

347. It is hoped that this report will serve as a useful resource to assist principals, business managers, school councillors and other officers to access the support they require in governance and finance matters.

Comment: Governance within the devolved Victorian public school system

348. This office has investigated multiple instances of governance failures in Victorian public schools, and previous Ombudsman reports have identified particular challenges for principals in the area of financial management. The report into Bendigo South East College⁹ is a recent example of where there was a breakdown in governance and financial mismanagement at a Victorian public school due to inadequate checks and balances.

349. These governance failures must fairly be seen in the context of Victoria's 'devolved' public education system where principals have significant decision-making power and wide discretion to make educational, financial and management decisions. This report has highlighted some of the difficulties for principals required to be both educators and, in effect, CEOs of a small business.

350. While principals have reporting responsibilities both to the Department and to parents through school councils, the ability to hold principals accountable for their performance may be diminished by such 'gaps' as this report has identified.

351. This office is aware of ongoing local research into the devolved system of Victorian public schooling¹⁰ and suggests that, as part of its longer-term planning and research, the Department considers the risks of the current system.

⁹ Victorian Ombudsman, *Investigation of three protected disclosure complaints regarding Bendigo South East College* (2018).

¹⁰ Keddie, A., Blackmore, J. & MacDonald, K. *ARC-supported study: School autonomy reform and social justice in Australian public education* (DP190100190)

Recommendations

The subject matter and findings of this investigation give rise to three recommendations pursuant to section 23(2A) of the Ombudsman Act.

At the commencement of the investigation, officers from the Victorian Ombudsman and the Department jointly briefed Victoria Police, and the Department has been in subsequent contact with Victoria Police. In light of the evidence set out in this report, the investigation make the following recommendations:

To the Department of Education and Training:

Recommendation 1

That the Department consider further auditing the Principal's financial activities when he was Principal at the School and decide whether to formally refer his conduct to Victoria Police.

The Department's response:

Accepted.

Recommendation 2

That the Department introduce into principal recruitment material, guidance on making probative financial enquiries in relation to preferred principal candidates, to enable the Department to reasonably assure itself of the candidates' financial management capability.

The Department's response:

Accepted.

Recommendation 3

That the Department introduce a process whereby school council members formally acknowledge, on an annual basis, their knowledge and awareness of the existence of the financial policies and procedures that apply to their roles and their awareness of the training and support available from the Department.

The Department's response:

Accepted.

In response to a draft version of this report, the Secretary of the Department of Education and Training stated:

I intend to accept these recommendations and confirm that the Department will take steps to implement them as soon as practicable.

Appendix 1

Governance responsibilities of Principals, School Councils and Business Managers

Responsible Person	Key Responsibilities	Relevant Guidance
School Principal	Code of Conduct	
	<p>The principal's role must be performed consistent with the Public Sector Values outlined in the <i>Code of Conduct for Victorian Public Sector Employees</i>. Failure to act consistently with the Code of Conduct may lead to action under relevant performance management or misconduct processes. Key obligations are below.</p> <p>Honesty at work Principals, as public sector employees, act honestly in the performance of their duties. They are open and transparent when making decisions. They give honest advice based on available facts and data. They ensure their advice is up to date.</p> <p>Financial Probity Principals comply with the requirements of relevant financial management legislation, policies and procedures – to the highest standard.</p> <p>Reporting unethical behaviour Public sector employees comply with legislation, policies and lawful instructions in the performance of their work. Public sector employees report to an appropriate authority workplace behaviour that violates any law, rule or regulation, or represents corrupt conduct, mismanagement of public resources, or is a danger to public health or safety or to the environment. Victorian government schools inform their employees of their rights and responsibilities regarding the making of such reports.</p> <p>Avoid and declare conflicts of interest Principals ensure personal or financial interests do not influence and could not be perceived to influence the performance of their role. They manage any conflicts of interest that cannot be avoided in accordance with their organisation's policies and procedures. If unsure about a possible conflict of interest, public sector employees seek advice from their manager.</p> <p>Refusing gifts and benefits Principals do not seek gifts and benefits and refuse all offers that could reasonably be perceived as influencing them or undermining the integrity of their organisation or themselves. Public sector employees comply with any policies in relation to accepting, declaring and recording the receipt of gifts or benefits.</p>	<p>Sections 61, 63 – <i>Public Administration Act 2004</i> (Vic)</p> <p>Section 2.3.1.3 – <i>Financial Manual for Victorian Government Schools</i></p> <p>Principal Class Contract of Employment</p> <p>Section 3.1 – <i>Code of Conduct for Victorian Public Sector Employees</i></p> <p>Section 3.3 – <i>Code of Conduct for Victorian Public Sector Employees</i></p> <p>Section 3.6 – <i>Code of Conduct for Victorian Public Sector Employees</i></p> <p>Section 3.7 – <i>Code of Conduct for Victorian Public Sector Employees</i></p> <p>Section 4.2 – <i>Code of Conduct for Victorian Public Sector Employees</i></p> <p>Principal Class Contract of Employment</p>

School Principal	Financial accounting and reporting	
	Accountable officer responsible to the Department's Secretary The principal is the accountable officer of the school responsible to the Secretary (through the regional director) for financial accounting and reporting, effectiveness of audit and effective use of resources. They are the executive officer of school council and are responsible for implementing school council decisions.	Section 2.3 – <i>Financial Manual for Victorian Government Schools</i> Principal Class Contract of Employment
	All cheques and negotiable instruments must be co-signed by the school council All cheques and negotiable instruments drawn on any account kept under the control of a school council must be authorised by the principal and a member of the school council who is nominated by the school council for this purpose. The school business manager cannot be nominated to be a signatory even if they are a member of the school council.	Section 46(1) and 46(3) – <i>Education and Training Reform Regulations 2017</i> Section 11.6.1 – <i>Financial Manual for Victorian Government Schools</i>
	Other transactions must be co-authorised in writing by the school council All withdrawals or transfers out of any account kept under the control of the school council that are made other than by a cheque or negotiable instrument (whether electronic or otherwise) must be authorised in writing by the principal and a member of the school council who is nominated by the school council for this purpose. The school business manager cannot be nominated as a signatory even if the business manager is a member of the school council. Cheques are to be made out to the payee not to Cash. Blank cheques are not to be signed under any circumstances.	Section 46(2) and 46(3) – <i>Education and Training Reform Regulations 2017</i> Section 11.6.1 – <i>Financial Manual for Victorian Government Schools</i> Section 4.7 – <i>Internal Controls for Victorian Government Schools</i>
	Financial statements to be made available The principal must make a certified copy of the school council financial statements for the most recent year available for inspection by any interested person.	Section 47 – <i>Education and Training Reform Regulations 2017</i> Principal Class Contract of Employment

Responsible Person	Key Responsibilities	Relevant Guidance
School Principal	Procurement	
	Follow procurement policies and procedures Principals are required to follow the <i>Procurement Policy for Victorian Government Schools</i> , including observing the procurement tender thresholds set.	<i>Procurement Policy for Victorian Government Schools</i> <i>Schools Procurement Procedure Document</i> <i>Project Development and Construction Management Act 1994 (Vic)</i> Ministerial Direction No. 1: <i>Tendering Provisions for Public Construction</i> <i>School-funded Capital Projects policy</i> , August 2015 and October 2017 Principal Class Contract of Employment
	School Purchasing Card	
School Council	The principal is the authorisation officer for the School Purchasing Cards The principal will: <ul style="list-style-type: none"> • exercise supervisory control over the cardholder's transactions • ensure compliance with Ministerial Guidelines and Directions 1-6 of 2008 • adhere to relevant internal control procedures • ensure all purchases of goods and services are substantiated and consistent with program budget expenditure. 	Section 3 – <i>Schools purchasing card – Department guidelines and procedures</i> 4.5.2 Checklist – <i>Internal Controls for Victorian Government Schools</i>
	Code of Conduct	
	School councils in Victoria are public entities as defined by the Public Administration Act. School councillors must abide by the <i>Code of Conduct for Directors of Victorian Public Entities</i> . A failure to act consistent with the Code of Conduct may be considered misconduct and in the most serious cases may lead to suspension or removal from school council. Key obligations are below.	Sections 61, 63 – <i>Public Administration Act 2004 (Vic)</i> Section 2.2.1.5 – <i>Financial Manual for Victorian Government Schools</i>

School Council	Code of Conduct	
	<p>Risk management</p> <p>The school council plays an important role in overseeing the management of risks faced by the school. As part of this role the school council informs the Department and/or the Minister of known major risks to the effective operation of the school and of the processes in place to address those risks. It also ensures there are adequate controls in place to prevent fraudulent behaviour. The school council assures itself that the school's financial management system is adequate and designed to minimise processes that can lead to errors. It also ensures that the financial statements or accounts are audited at regular intervals.</p> <p>Duties of the Chairperson</p> <p>The Chairperson presides at meetings of the school council. The Chairperson gives school councillors ready access to up-to-date copies of relevant legislation, policies and procedures. The policies and procedures are tailored to the School's operating environment and support application of the Code.</p> <p>Financial responsibility</p> <p>School councillors act in a financially responsible manner. They exercise care in relation to school funds and assets and comply with Ministerial Guidelines and Directions. School councillors demonstrate due diligence through active monitoring of the school's financial accounts and financial position. They regularly review financial statements and management reports.</p> <p>School councillors ask questions about the financial material put before the school council, if that material is unclear or raises matters that may be of concern from a financial perspective. They understand the financial justification for decisions taken by the school council. They vote to record their disagreement if they do not believe the financial implications are sufficiently clear or if a school council resolution has financial implications that they consider imprudent.</p> <p>Honesty and Integrity</p> <p>School councillors act with honesty and integrity. They comply with laws, policies and generally accepted standards of behaviour. They are open and transparent in their dealings. School councillors give proper consideration to matters before the school council. They express their views genuinely, clearly and without ambiguity. They disclose the information or considerations they relied upon in coming to their view. They speak up when a decision or advice is being considered that may be detrimental to the public interest and vote to record their view.</p>	<p>Section 2.4 – <i>Code of Conduct for Directors of Victorian Public Entities</i></p> <p>Section 3.1 – <i>Code of Conduct for Directors of Victorian Public Entities</i></p> <p>Section 3.10 – <i>Code of Conduct for Directors of Victorian Public Entities</i></p> <p>Section 3.11 – <i>Code of Conduct for Directors of Victorian Public Entities</i></p>

Responsible Person	Key Responsibilities	Relevant Guidance
School Council	Financial accounting and reporting	
	<p>Create and retain accurate financial records</p> <p>A school council must ensure that the following types of records are kept, in the form determined by the Secretary –</p> <ul style="list-style-type: none"> (a) proper accounts and records of the transactions and affairs of the school council; (b) any other records necessary to sufficiently explain the financial operations and financial position of the school council. <p>The school council must –</p> <ul style="list-style-type: none"> (a) maintain the records of the school council in a form to show that – <ul style="list-style-type: none"> (i) all money payable to the school council is properly collected; and (ii) all money expended in the school council's name is properly expended and properly authorised; and (iii) adequate control is maintained over assets owned by the school council or in the school council's custody; and (iv) all liabilities incurred in the school council's name are properly authorised; and (v) there is efficiency of operations and an avoidance of waste and extravagance; and (b) develop and maintain an adequate budgeting system; and (c) develop and maintain an adequate accounting system; and (d) develop and maintain adequate internal financial controls. 	<p>Section 45(1) – <i>Education and Training Reform Regulations 2017</i></p> <p>Section 45(2) – <i>Education and Training Reform Regulations 2017</i></p> <p>Section 2.2.1.2 – <i>Financial Manual for Victorian Government Schools</i></p>
	<p>Review records, policies and delegations</p> <p>At the start of each year, and whenever subsequently necessary, school council must action relevant financial reports, policies, registers, authorisations and delegations.</p>	Section 2.2.1.4 – <i>Financial Manual for Victorian Government Schools</i>
	<p>Tabling of financial transactions at Council meetings</p> <p>All payments made in the preceding month and invoices awaiting payment should be tabled at the monthly school council meetings, ie Cash Payments report and Invoices Awaiting Payment report.</p>	Section 4.7 – <i>Internal Controls for Victorian Government Schools</i>

School Council	<p>All cheques and negotiable instruments must be co-signed by the Principal</p> <p>All cheques and negotiable instruments drawn on any account kept under the control of a school council must be authorised by the principal and a member of the school council who is nominated by the school council for this purpose. The school business manager cannot be nominated to be a signatory even if they are a member of the school council.</p> <p>Other transactions must be co-authorised in writing</p> <p>All withdrawals or transfers out of any account kept under the control of the school council that are made other than by a cheque or negotiable instrument (whether electronic or otherwise) must be authorised in writing by the principal and a member of the school council who is nominated by the school council for this purpose. The school business manager cannot be nominated as a signatory even if the business manager is a member of the school council.</p> <p>Cheques are to be made out to the payee not to Cash.</p> <p>Blank cheques are not to be signed under any circumstances</p>	<p>Section 46(1) and 46(3) – <i>Education and Training Reform Regulations 2017</i></p> <p>Section 11.6.1 – <i>Financial Manual for Victorian Government Schools</i></p> <p>Section 46(2) and 46(3) – <i>Education and Training Reform Regulations 2017</i></p> <p>Section 11.6.1 – <i>Financial Manual for Victorian Government Schools</i></p> <p>Section 4.7 – <i>Internal Controls for Victorian Government Schools</i></p>
	Cash	
	<p>Management of cash</p> <p>Cash is the most vulnerable asset of the school. It is essential that schools have robust controls in place to minimise the risk of loss. It is recommended that schools investigate non-cash payment options as a part of their risk minimisation.</p> <p>Implement a local cash handling policy approved by school council.</p> <p>The segregation of duties between receiving cash and banking activities must be implemented where possible and practical. The method of ensuring this safeguard is to separate those responsibilities for duties which, if combined, would enable an individual person to receive cash and bank cash received. It can be implemented by alternating sequential tasks, so that no one person has complete responsibility for the entire transaction.</p>	<p>Section 10.3 – <i>Financial Manual for Victorian Government Schools</i></p> <p>Section 10.3.1 – <i>Financial Manual for Victorian Government Schools</i></p> <p>Section 4.2.1.1 and 10.3.1.8 – <i>Financial Manual for Victorian Government Schools</i></p>

Responsible Person	Key Responsibilities	Relevant Guidance
School Council	Procurement	
	Follow procurement policies and procedures School councils may enter into contracts, agreements or arrangements for the supply of goods, services, facilities, materials, equipment and other matters that are required for the conduct of the school. School councils are required to follow the Procurement Policy for Victorian Government Schools, including observing the procurement tender thresholds set.	Section 11.1 – <i>Financial Manual for Victorian Government Schools</i> Section 1.1 – <i>Procurement Policy for Victorian Government Schools</i> <i>Project Development and Construction Management Act 1994</i> (Vic) Ministerial Direction No. 1: <i>Tendering Provisions for Public Construction</i> <i>School-funded Capital Projects Policy</i> , August 2015 and October 2017
	Purchasing Card	
	Follow Schools Purchasing card guidelines and procedures Comply with the Schools Purchasing Card Department guidelines and procedures. Purchases must be tabled at school council meetings The school purchasing card monthly statement and associated documentation must be presented to the finance committee for review, approval and to make a recommendation to the school council for ratification of payments. If the school does not have a finance committee, these documents must be provided to school council for review and approval. Implement ‘best practice’ controls and procedures It is recommended that a school council formally adopts procedures to ensure financial accountability and optimum internal controls.	Section 11.7 – <i>Financial Manual for Victorian Government Schools</i> Section 11.7.1.9 – <i>Financial Manual for Victorian Government Schools</i> Section 2 – <i>Schools purchasing card – Department guidelines and procedures</i>

School Business Manager	Code of Conduct	
	The actions of Victorian government school employees must be performed consistent with the Public Sector Values as outlined in the Code of Conduct for Victorian Public Sector Employees. Failure to act consistently with the Code of Conduct may lead to action under relevant performance management or misconduct processes. Key obligations are below.	Sections 61, 63 – <i>Public Administration Act 2004</i> (Vic)
	Financial Probity Comply with the requirements of relevant financial management legislation, policies and procedures – to the highest standard.	Section 3.3 – <i>Code of Conduct for Victorian Public Sector Employees</i>
	Reporting unethical behaviour Public sector employees comply with legislation, policies and lawful instructions in the performance of their work. Public sector employees report to an appropriate authority workplace behaviour that violates any law, rule or regulation, or represents corrupt conduct, mismanagement of public resources, or is a danger to public health or safety or to the environment. Victorian government schools inform their employees of their rights and responsibilities regarding the making of such reports.	Section 3.6 – <i>Code of Conduct for Victorian Public Sector Employees</i>
	Avoid and declare conflicts of interest Public sector employees ensure personal or financial interests do not influence and could not be perceived to influence the performance of their role. They manage any conflicts of interest that cannot be avoided in accordance with their organisation’s policies and procedures. If unsure about a possible conflict of interest, public sector employees seek advice from their manager.	Section 3.7 – <i>Code of Conduct for Victorian Public Sector Employees</i>
Authorisation of payments		
	Cannot authorise payments The school business manager cannot be nominated to authorise cheques/negotiable instruments or other withdrawals or transfers even if the business manager is a member of the school council. Cheques are to be made out to the payee not to Cash. Blank cheques are not to be signed under any circumstances.	Section 46(3) – <i>Education and Training Reform Regulations 2017</i> Section 4.7 – <i>Internal Controls for Victorian Government Schools</i>

Responsible Person	Key Responsibilities	Relevant Guidance
School Business Manager	Procurement	
	Follow procurement policies and procedures Public sector employees are required to follow the Procurement Policy for Victorian Government Schools, including observing the procurement tender thresholds set.	Section 1.1 – <i>Procurement Policy for Victorian Government Schools</i> <i>Project Development and Construction Management Act 1994</i> (Vic) Ministerial Direction No. 1: <i>Tendering Provisions for Public Construction</i> <i>School-funded Capital Projects Policy</i> , August 2015 and October 2017
	Purchasing Card	
	Follow Schools Purchasing card guidelines and procedures Comply with the Schools Purchasing Card Department guidelines and procedures Purchases must be tabled at school council meetings The school purchasing card monthly statement and associated documentation must be presented to the finance committee for review, approval and to make a recommendation to the school council for ratification of payments. If the school does not have a finance committee, these documents must be provided to school council for review and approval.	Section 11.7.1.2 – <i>Financial Manual for Victorian Government Schools</i> Section 11.7.1.9 – <i>Financial Manual for Victorian Government Schools</i>

Victorian Ombudsman's Parliamentary Reports tabled since April 2014

2020

Investigation into the detention and treatment of public housing residents arising from a COVID-19 'hard lockdown' in July 2020

December 2020

Investigation into complaints about assaults of five children living in Child Protection residential care units.

October 2020

Investigation into corporate credit card misuse at Warrnambool City Council

October 2020

Investigation into review of parking fines by the City of Melbourne.

September 2020

Investigation into the planning and delivery of the Western Highway duplication project

July 2020

Ombudsman's recommendations – third report

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Investigations into allegations of nepotism in government schools

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2019

Investigation of matters referred from the Legislative Assembly on 8 August 2018

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WorkSafe 2: Follow-up investigation into the management of complex workers compensation claims

December 2019

Investigation into improper conduct by a Council employee at the Mildura Cemetery Trust

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Investigation into State Trustees

June 2019

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May 2019

Fines Victoria complaints

April 2019

VicRoads complaints

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2018

Investigation into the imprisonment of a woman found unfit to stand trial

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Investigation into allegations of improper conduct by officers at Goulburn Murray Water

October 2018

Investigation of three protected disclosure complaints regarding Bendigo South East College

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Investigation into the administration of the Fairness Fund for taxi and hire car licence holders

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Investigation into Maribyrnong City Council's internal review practices for disability parking infringements

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Investigation into Wodonga City Council's overcharging of a waste management levy

April 2018

Investigation of a matter referred from the Legislative Council on 25 November 2015

March 2018

2017

Investigation into the financial support provided to kinship carers

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Implementing OPCAT in Victoria: report and inspection of the Dame Phyllis Frost Centre

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Investigation into the management of maintenance claims against public housing tenants

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Investigation into the management and protection of disability group home residents by the Department of Health and Human Services and Autism Plus

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Enquiry into the provision of alcohol and drug rehabilitation services following contact with the criminal justice system

September 2017

Investigation into Victorian government school expulsions

August 2017

Report into allegations of conflict of interest of an officer at the Metropolitan Fire and Emergency Services Board

June 2017

Apologies

April 2017

Investigation into allegations of improper conduct by officers at the Mount Buller and Mount Stirling Resort Management Board

March 2017

Report on youth justice facilities at the Grevillea unit of Barwon Prison, Malmsbury and Parkville

February 2017

Investigation into the Registry of Births, Deaths and Marriages' handling of a complaint

January 2017

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2016

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Report on recommendations

June 2016

Investigation into Casey City Council's Special Charge Scheme for Market Lane

June 2016

Investigation into the misuse of council resources

June 2016

Investigation into public transport fare evasion enforcement

May 2016

2015

Reporting and investigation of allegations of abuse in the disability sector: Phase 2 – incident reporting

December 2015

Investigation of a protected disclosure complaint regarding allegations of improper conduct by councillors associated with political donations

November 2015

Investigation into the rehabilitation and reintegration of prisoners in Victoria

September 2015

Conflict of interest by an Executive Officer in the Department of Education and Training

September 2015

Reporting and investigation of allegations of abuse in the disability sector: Phase 1 – the effectiveness of statutory oversight

June 2015

Investigation into allegations of improper conduct by officers of VicRoads

June 2015

Investigation into Department of Health oversight of Mentone Gardens, a Supported Residential Service

April 2015

Councils and complaints – A report on current practice and issues

February 2015

Investigation into an incident of alleged excessive force used by authorised officers

February 2015

2014

Investigation following concerns raised by
Community Visitors about a mental health
facility

October 2014

Investigation into allegations of improper
conduct in the Office of Living Victoria

August 2014

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