

**Submission
No 13**

**EXAMINATION OF THE AUDITOR-GENERAL'S PERFORMANCE
AUDIT REPORTS OCTOBER 2016 – MAY 2017**

Organisation: Department of Industry

Date Received: 11 May 2018



Department
of Industry

Office of the Secretary

SECO 18/96

Your Reference: File Ref: D18/07255

Mr Bruce Notley-Smith MP
Chair, Public Accounts Committee
Legislative Assembly
Parliament of New South Wales
Macquarie Street
SYDNEY NSW 2000

11 May 2018

Dear Mr Notley-Smith,

Auditor-General's performance audit report – Contingent Workforce: Procurement & Management.

I write in response to your letter of 16 April 2018 on behalf of the Public Accounts Committee requesting that the department provide the Committee with a submission outlining the department's response to the Auditor-General's report *Contingent Workforce Procurement & Management, Attachment D*.

The Auditor-General's report made six recommendations for Department of Industry to address. The recommendations were all accepted and significant progress has been made for each recommendation.

The six recommendations and their parts are addressed through nine actions. Attachment C provides further detail on the status of actions to address the Auditor-General's recommendations.

All of the Auditor-General's recommendations have been actioned and completed by the Department within the recommended due dates with delivery timing of one of the recommendations extended and due to be completed by May 2018.

Thank you for the opportunity to provide a response and to update the Committee with our progress in responding to and implementing the recommendations of the performance audit. Should your officials wish to discuss the submission further, please contact Anat Hassner, Executive Director, People & Culture Division on 02 9842 8023 or email anat.hassner@industry.nsw.gov.au

Yours sincerely

Simon Draper
Secretary



Mr Simon A Y Smith
Secretary
Department of Industry

File Ref: D18/07255

Email: simon.smith@industry.nsw.gov.au

Dear Mr Smith

Auditor-General's performance audit report – Contingent workforce: procurement and management

I am writing on behalf of the Public Accounts Committee to ask that you provide the Committee with a submission outlining the department's response to the Auditor-General's report *Contingent workforce: procurement and management*, tabled on 27 April 2017.

Under section 57 of the *Public Finance and Audit Act 1983*, the functions of the Committee include the examination of any report of the Auditor-General laid before the Legislative Assembly. The Committee has adopted a systematic approach to its examination of the Auditor-General's reports.

As part of this approach, the Committee is requesting all agencies subject to recommendations in a report, 12 months after the tabling of that report, to provide a submission outlining the agency's response, including any action to date. The Committee would also welcome any feedback you are able to provide on the effectiveness of the audit process, including the benefit of the audit to your agency and program delivery, the costs of the audit and any suggestions for improvement. This submission will then be examined, further comment will be sought from the Auditor-General, and the Committee may subsequently hold a public hearing with relevant officers to clarify issues or obtain further information.

I have enclosed a template with a recommended format for reporting your agency's response to the audit. I ask that you provide the Committee with a submission setting out the response to the recommendations by 16 May 2018.

If you have any questions regarding this request, please contact the Committee Manager, Mr Bjarne Nordin, on telephone 9230 2843.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Bruce Notley-Smith', written over a horizontal line.

Bruce Notley-Smith MP
Chair

16 April 2018

IMPLEMENTATION OF RECOMMENDATIONS

Department of Industry Contingent workforce: procurement and management

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1 By December 2017: improve the accuracy and reliability of their data on contingent labour	Accepted	The Department implemented Contractor Central in Nov 2016. This solution is supported with a Vendor Management Systems (VMS) Fieldglass. This system provides the Department with accurate and reliable data on contingent labour including worker tenure, suppliers, pay and bill rates, committed and actual spend, FTE reporting and other associated metrics. All contingent workers must be in the Fieldglass system in order to access DOI systems and perform their role.	Dec 2017	Status: Completed Nov 2016	P&C/ Workforce Resourcing
2 By December 2017: Routinely report the use of contingent labour to agency executive.	Accepted	Monthly contingent labour dashboards have been generated since Oct 2016. These dashboards provide detailed metrics across a range of data providing contingent labour insights. (ie divisional/BU headcount, tenure, spend, rate compliance) This real time data provides insights on the engagement of contingent labour within the Department. This information is now included in the	Dec 2017	Status: Completed Oct 2016	P&C/ Workforce Resourcing

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>3</p> <p>By December 2017: Ensure agency-wide on-boarding and off-boarding guidelines or checklists detail the specific requirements for engaging or releasing contingent labour, including provisions for knowledge transfer.</p>	<p>Accepted</p>	<p>monthly reports to Corporate Operations and the departments Senior Executive.</p> <p>The Department has detailed on-boarding checklists, guidelines and procedures which are utilised for both employees and contingent labour. These include automated procedures integrated within the Department's Finance, Strategy and Operations (FSO) Portal and Enterprise Resource Planning (ERP) systems.</p> <p>The Department also has a checklist for off-boarding employees and contingent labour, which is supplemented by procedures within Contractor Central specifically for Contingent Labour. The department has also published an FAQ document on the Intranet to further guide hiring managers.</p>	<p>Dec 2017</p>	<p>Status: Completed Nov 2016</p>	<p>P&C/Business Services - Payroll</p>
<p>4</p> <p>By March 2018: Ensure that contingent labour informs and is informed by workforce planning, by: a. analysing agency-wide business needs, staff capability, and skills gaps</p>	<p>Accepted</p>	<p>a. The department has a role of Director Strategic Workforce Management, which is directly responsible for all workforce planning, analytics and business decision support. Additionally, a dedicated role of Recruitment Services Partner – Contingent Workforce within the Workforce Resourcing business unit also provides advice and support to</p>	<p>Mar 2018</p>	<p>Status: Completed August 2017</p>	<p>P&C/Strategic Workforce Management</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>By March 2018: Ensure that contingent labour informs and is informed by workforce planning, by:</p> <p>b. understanding how gaps are filled by contingent workers or other recruitment options</p>		<p>hiring managers, Senior Executives and the BAU Recruitment team on contingent labour hiring. Between these two positions, the business receives regular reporting and advice to enable hiring managers to consider their business unit needs. Regular reporting and analysis is provided to the senior executive to provide an agency wide view.</p> <p>b. The recruitment team consisting of around 20 employees and the Recruitment Service Partner – Contingent Workforce regularly liaise with hiring managers to provide advice and guidance on the various options to best fill short and longer term labour needs of the Department. As well, the Departments Human Resource Business Partner Team regularly provides advice and guidance to hiring managers on the best resourcing options available.</p>		<p>Status: Completed Nov 2016</p>	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>By March 2018: Ensure that contingent labour informs and is informed by workforce planning, by:</p> <p>c. assessing whether long-term contingent worker engagements are the most economical and effective labour option</p>		<p>c. Ongoing analysis and advice to business areas is in place to address this recommendation as well as functionality within the approval process required prior to engagement. The Department has implemented a gateway process requiring submission of a business case for extension and re-engagement of contingent labour. This requirement has been communicated to hiring managers. Each instance of extension is reviewed by Contractor Central and the Recruitment Services Partner – Contingent Workforce with a recommendation then provided to the hiring manager and their subsequent manager.</p> <p>Additionally, Quarterly Business Review meetings are held between the Departments Recruitment section, Procurement and Contractor Central's Program Management team to review and analyse performance, review spend and cost data and other associated performance related metrics. Outcomes from these meetings allow the Department to continue to shape the Contractor Central model to best address the labour needs of the Department.</p>		<p>Status: Completed Nov 2016</p>	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>By March 2018: Ensure that contingent labour informs and is informed by workforce planning, by:</p> <p>d. Evaluating whether contingent workers meet agency business needs and deliver value for money.</p>		<p>d. The Managed Service Provider (MSP) has conducted substantial research in to market rates for roles within the Department to ensure value for money is delivered by the contingent worker. All contingent roles are sized/matched against these market rates and there are set tolerances allowable with respect to market rates (+/- 10%). As contracted, the MSP is required to undertake continued market rate benchmarking to ensure currency and accuracy of the market rate card. Rate compliance is a KPI measure within the MSP contract with the Department.</p> <p>The MSP is also charged with ongoing review of legislative environment (Employment Legislation, Taxation etc.) to minimize any exposure to the Department in engaging third party labour.</p> <p>Additionally, third party suppliers are subject to rate card KPI's and compliance measures. Adherence to these are monitored and reviewed by the MSP and any issues are addressed with the third party supplier, if required.</p>		<p>Status: Completed April 2016</p>	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>5 By March 2018: Assess and centrally document the performance of their contingent workforce to ensure that services are delivered as contracted</p>	<p>Accepted</p>	<p>The Department has developed a Worker Evaluation module to evaluate whether contingent workers meet the Departments agency business needs and deliver value for money. The Worker Evaluation module will provide insights from the hiring manager as to whether the contingent worker has met the business needs and performed to the criteria of the role. Distribution of the evaluation module to hiring managers will be automated upon expiry of the workers contract.</p> <p>Results from the Worker Evaluation module will be stored in the VMS of Contractor Central and reviewed on a monthly basis. Issues arising from this data will be addressed with the hiring manager and tabled with Contractor Central.</p> <p>Additionally the MSP is required under the contract to evaluate and manage the performance of third party suppliers through rate card compliance and or non-compliance if it arises. This is to ensure consistency and accuracy of labour supply.</p> <p>Expected completion of the functionality is May 2018.</p>	<p>Mar 2018</p>	<p>Status: Delayed - Expected completion date is 31 May 2018</p> <p>The Worker Evaluation template has been finalised and the MSP is currently building this functionality into the VMS having received sign off and approval from the Department in early April 2018.</p>	<p>P&C/ Workforce Resourcing</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
<p>6 By March 2018: Implement processes to ensure that hiring managers consider other recruitment options prior to engaging or re-engaging contingent workers.</p>	<p>Accepted</p>	<p>From November 2016 a business rule has been implemented within Contractor Central that ensures requests to engage contingent labour for more than the period recommended by NSW Public Service Commission (6 months) are automatically sent to the workforce planning section. At this point workforce planning will discuss recruitment options with the hiring manager to establish whether contingent labour is the most appropriate form of engagement. This rule applies for any new request for contingent labour and where a proposed extension to an existing engagement would extend the total period to more than six months.</p> <p>The rule cannot be circumvented within Contractor Central. To assist hiring managers to understand the basis for the rule, the Department has published guidelines on the intranet to explain available recruitment options, including how to assess the use of contingent labour.</p> <p>Additionally, the approval process that has been implemented to engage contingent workers requires</p>	<p>Mar 2018</p>	<p>Status: Completed Nov 2016</p>	<p>P&C/ Workforce Resourcing</p>

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
		<p>submission of a business case which is reviewed at ED/Dep Sec level prior to engagement of any contingent worker. The process requires that hiring managers first engage with the BAU recruitment function to determine the best course of action with regards to the hiring process. Advice is provided by the Recruitment team, as well as the Recruitment Services Partner – Contingent Labour, as to the most appropriate recruitment engagement to exercise (On-going, Temp or Contingent)</p>			