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



## 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 <a href="mailto:anat.hassner@industry.nsw.gov.au">anat.hassner@industry.nsw.gov.au</a>

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

Bruce Notley-Smith MP

Chair

16 April 2018

## IMPLEMENTATION OF RECOMMENDATIONS

Department of Industry

Contingent workforce: procurement and management

<b>&gt;</b> >		
(Section of agency responsible for implementation)	P&C/ Workforce Resourcing	P&C/ Workforce Resourcing
STATUS (completed, on track, delayed) and COMMENT	Status: Completed Nov 2016	Status: Completed Oct 2016
DUE DATE	Dec 2017	Dec 2017
ACTIONS TO BE TAKEN/ACTIONS TAKEN	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.	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
ACCEPTED OR REJECTED	Accepted	Accepted
RECOMMENDATION	By December 2017: improve the accuracy and reliability of their data on contingent labour	By December 2017: Routinely report the use of contingent labour to agency executive.
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RESPONSIBILITY (Section of agency responsible for implementation)		D&,C/Rucinocc	rœc/ business	Services - Payroll							-						-					P&C/Strategic	Workforce	Management							-	
STATUS (completed, on track, delayed) and COMMENT		Status: Completed Nov 2016	Status: Completed NOV 2010																			Status: Completed August 2017				•						
DUE DATE		Der 2017	חבר לחדו																			Mar 2018										
ACTIONS TO BE TAKEN/ACTIONS TAKEN	monthly reports to Corporate Operations and the departments Senior Executive.	The Department has detailed on-	The Department has detailed oil-	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.	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.	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
ACCEPTED OR REJECTED		Accented	ייייייייייייייייייייייייייייייייייייייי														,					Accepted										
RECOMMENDATION		By December 2017:	by Secondary 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.								,	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
-		~	)																			4										

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)
		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.			
By March 2018: Ensure that contingent labour informs and is informed by workforce planning, by: b. understanding how gaps are filled by contingent workers or other recruitment options		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.		Status: Completed Nov 2016	

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DÂTE	STATUS (completed, on track, delayed) and COMMENT	(Section of agency responsible for
By March 2018:		c. Ongoing analysis and advice to		Status: Completed Nov 2016	ווויייייייייייייייייייייייייייייייייייי
Ensure that		business areas is in place to address			
contingent labour		this recommendation as well as	-		
informs and is		functionality within the approval			
informed by		process required prior to			
workforce planning,		engagement. The Department has			
by:		implemented a gateway process			
		requiring submission of a business			
c. assessing whether		case for extension and re-		•	
long-term contingent		engagement of contingent labour.			
worker engagements		This requirement has been			
are the most		communicated to hiring managers.			
economical		Each instance of extension is			
and effective labour		reviewed by Contractor Central and			
option		the Recruitment Services Partner –			
		Contingent Workforce with a			
		recommendation then provided to			
		the hiring manager and their			
		subsequent manager.			
:		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.			

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and COMMEN	Status: Completed April 2016																																
IAKEN	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	יס חומפו נפעב רסוונווומפת ווופו עבר נפוב	benchmarking to ensure currency	and accuracy of the market rate	card. Rate compliance is a KPI	measure within the MSP contract	with the Department.		The MSP is also charged with on-	going review of legislative	environment (Employment	Legislation, Taxation etc.) to	minimize any exposure to the	Department in engaging third party	labour.		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, it required.	
KEJECJED																																-	
	By March 2018: Ensure that	contingent labour	informs and is	intormed by	workforce planning,	:hq	, L	d. Evaluating whether	contingent workers	meet agency business	needs and deliver	value for money.																			-		
	AREIN	d. The Managed Service Provider  (MSP) has conducted substantial	d. The Managed Service Provider  (MSP) has conducted substantial research in to market rates for roles	d. The Managed Service Provider  (MSP) has conducted substantial research in to market rates for roles within the Department to ensure	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	March 2018:  Ure that tingent labour nrms and is within the Department to ensure value for money is delivered by the contingent worker. All contingent	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. 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All contingent workers are set tolerances allowable with respect to market rates (+/- 10%).  As contracted, the MSP is required to the market rates (+/- 10%).	Varch 2018:  Ure that tingent labour  within the Department to ensure tool sare sized/matched against tingent workers  et agency business  Value for market rates (+/- 10%).  As and deliver  d. The Managed Service Provider  G. The Managed Service Provider  G. Missper 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%).  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As contracted, the MSP is required by and accuracy of the market rate expect to undertake continued market rate benchmarking to ensure currency and accuracy of the market rate expect to undertake continued market rate benchmarking to ensure currency and accuracy of the market rate expect to undertake continued market rate expect	Varch 2018:  Of The Managed Service Provider  Of The Managed Service Service Service Service Service  Of The Managed Service	Warch 2018:  Warch 2018:  (MSP) has conducted substantial inger and so conducted substantial research in to market rates for roles within the Department to ensure avaluating whether roles are sized/marchall contingent workers are soft or market rates and there are set tolerances allowable with respect to market rates (14-10%). 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Anach 2018:  (MSP) has conducted substantial research in to market rates for roles within the Department to ensure within the Department in engaging third party suppliers  Additionally, third party suppliers  Additionally, third party suppliers	Warch 2018: (MSP) is a conducted substantial research in to market rates for roles within the Department to ensure within the MSP is required to ensure workers rates (+/ 10%). As contracted, the MSP is required to ensure within the MSP contract with the Department.  The MSP is also charged with ongoing review of legislative environment (Employment Legislation, Taxtion etc.) to minimize any exposure to the Department in engaging third party labour.  Additionally, third party suppliers are subject to rate card (RPI's and	research in the Managed Service Provider Status: Completed April 2016  ure that  research in the market rates for roles within the Department to ensure by contingent worker. 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Adherence	The Managed Service Provider  The Ma	Andrich 2018:  (ASPC) has conducted substantial research in to market rates for roles within the Department to ensure and is value for money, and acuracy of the market rate and deliver business As contracted, the MSP is a good with one search in the MSP contracted with the Department to ensure and is value for money is delivered by the contingent worker. All contingent workers allowable with respect to market rates and there are set tolerances allowable with respect to market rates and deliver benchmarking to ensure currency and accuracy of the market rate card. Rate compliance is a RPI measure within the MSP contract with the Department.  The MSP is also charged with ongoing review of legislation. Jaxation etc.) to minimize any exposure to the Department in engaging third party labour.  Additionally, third party suppliers are subject to rate card RPI's and compliance are monitored are monitored are monitored to these are monitored by the MSP and any	Anderth 2018:  Watch 2018:  (MSP) has conducted substantial triggent abour research in to market rates for roles within the Department to ensure within the Department to ensure search in to market rates and there are set tolerances allowable with roles are sixed/marched against these market rates and there are set tolerances allowable with respect to market rates and there are set tolerances allowable with respect to market rates and there are set tolerances allowable with respect to market rates and there are set tolerances allowable with respect to market rates and there are set tolerances allowable with respect to market rates of the market rate of the deliver.  The MSP is also charged with ongoing third party suppliers are subject to rate and (PS) and compliance measures. 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(Section of agency responsible for implementation)	P&C/ Workforce Resourcing											-				-	-							• .				
STATUS (completed, on track, delayed) and COMMENT	Status: Delayed - Expected completion date is 31 May 2018	The Worker Evaluation template has been finalised and the MSD is currently building this	functionality into the VMS having received	sign off and approval from the Department in																								
DUE DATE	Mar 2018																											
ACTIONS TO BE TAKEN/ACTIONS TAKEN	The Department has developed a Worker Evaluation module to evaluate whether contingent	workers meet the Departments	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.	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.	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-	performance if it arises. This is to	ensure consistency and accuracy of	labour supply.	Expected completion of the	functionality is May 2018.
ACCEPTED OR REJECTED	Accepted																				,							
RECOMMENDATION	5 By March 2018: Assess and centrally document the	performance of their	to ensure that	services are delivered													-											

	RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	(Section of agency responsible for implementation)
9	-	Accepted	From November 2016 a business	Mar 2018	Status: Completed Nov 2016	P&C/ Workforce
	Implement processes		rule has been implemented within			Resourcing
	to ensure that miring		contractor central that ensures			-
	managers consider		requests to engage continued in			
	otner recruitment		labour for more than the period		,	
	options prior to		recommended by NSW Public			
,	engaging or re-		Service Commission (6 months) are			
	engaging contingent		automatically sent to the workforce			
	workers.		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.			
			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.			
			Additionally, the approval process			
			that has been implemented to			
			בוופמפר בסונתוופביור אסוערו זו בלמוו בז			

RECOMMENDATION	ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN/ACTIONS TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	(Section of agency responsible for implementation)
		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)			