

**Submission
No 14**

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

Organisation: Transport for NSW

Date Received: 16 May 2018



Mr Bruce Notley-Smith MP
Chair
NSW Legislative Assembly
Public Accounts Committee

By Email: pac@parliament.nsw.gov.au

**Auditor-General's Performance Audit Report – Contingent Workforce:
Procurement and Management**

Dear Mr Bruce Notley-Smith MP

I refer to your letter of 16 April 2018 and provide my comments to the Public Accounts Committee outlining the department's response to the Auditor-General's Report Contingent Workforce: Procurement and Management, for the purpose of the Public Account Committee's examination conducted under section 57 of the Public Finance and Audit Act 1983.

Transport for NSW accepted all six recommendations in the Auditor-General's report and is well underway completing necessary actions. A more detailed response to each recommendation is outlined below.

If you have any further questions regarding this matter, Brooke McGuiggan, Director, Audit and Risk in Transport for NSW would be pleased to take your call on (02) 8202 2047.

Yours sincerely

A handwritten signature in black ink, appearing to read 'R. Staples'.

Rodd Staples
Secretary for Transport for NSW

IMPLEMENTATION OF RECOMMENDATIONS

Transport for NSW

Contingent workforce: procurement and management

RECOMMENDATION		ACCEPTED OR REJECTED	ACTIONS TO BE TAKEN	DUE DATE	STATUS (completed, on track, delayed) and COMMENT	RESPONSIBILITY (Section of agency responsible for implementation)
1	Improve the accuracy and reliability of their data on contingent labour	Accepted	a) Management Self Service (MSS) Contingent Labour Report available across the Transport cluster for all line managers.	December 2017	<p>COMPLETE</p> <p>From October 2017, all areas of TfNSW performed detailed analysis of their workforce for budget review process, including contingent labour. This identified a number of data anomalies which have been resolved, for example labour hire positions that should have been removed from the establishment.</p> <p>To assist ongoing monitoring, in December 2017, managers received access to a contingent labour report, in the Management Self Service, including the labour hire rate, vendor and total purchase order value.</p>	People & Corporate Services (TfNSW)
2	Routinely report the use of contingent labour to agency	Accepted	a) Routinely report the use of contingent labour to agency executive.	December 2017	<p>COMPLETE</p> <p>Since December 2017, the Executive</p>	People & Corporate Services

	executive.				<p>have received a monthly report as part of the executive dashboard. The use of contingent labour has also been included in TfNSW's workforce insights reporting provided to the agency's executive.</p> <p>Further, the People & Culture Committee (consisting of the Cluster Secretary, CEs and Deputy Secretaries) which meets bimonthly, is presented with workforce data for discussion regularly, including contingent labour hire statistics and trend information by Agency and Division (for TfNSW).</p>	(TfNSW)
3	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.	Accepted	<p>a) 'Last Day of Duty' form (including Labour Hires) updated to include knowledge transfer checklist item available on the Intranet.</p> <p>b) Labour Hire On-Boarding' checklist for hiring managers updated to include knowledge transfer checklist item.</p>	<p>December 2017</p> <p>December 2017</p>	<p>COMPLETE</p> <p>TfNSW developed a suite of tools to assist managers with the induction, management and separation of contingent labour. The aim of these tools is to reduce risk of work health and safety incidents and breaches of key Transport policies and to assist contractors to adapt faster to the job and contribute to a more effective, productive workplace.</p> <p>The Contractor Management Essentials Guide contributes to the engagement and effective management of a contractor by providing managers with guidance on:</p>	People & Corporate Services (TfNSW)

					<ul style="list-style-type: none">• setting performance expectations and dealing with performance issues;• establishing hours of attendance and other working arrangements;• knowledge transfer from contractors to employees and• ending an arrangement. <p>The Contractor Onboarding Checklist helps managers to ensure contractors, on commencement of their assignment, are familiar with the policies and procedures which they are required to be provided access to, read and understand. The contractor and their manager sign the checklist for acceptance and understanding.</p> <p>The Last Day of Duty Form is completed for all staff leaving the organisation including labour hire, professional services and consultants. The form now includes knowledge transfer activities being conducted, including for labour hire.</p> <p>The Last Day of Duty Form was modified in March 2018. The Contractor Management Essentials Guide and Contractor Onboarding Checklist went live in April 2018.</p> <p>TfNSW developed the guide and</p>	
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					<p>checklist with the intention to share it with the Cluster as a model for the agencies to adopt. As a result, the development of these tools required extensive consultation with Transport for NSW Procurement Services, Legal Services, People & Culture and Fraud & Corruption Prevention Unit. Extensive consultation was also held with Sydney Metro Delivery Office, including the Sydney Metro Executive team who have a high portion of labour hire in their workforce.</p>	
4	<p>Ensure that contingent labour informs and is informed by workforce planning, by:</p> <ul style="list-style-type: none"> • analysing agency-wide business needs, staff capability, and skills gaps • understanding how gaps are filled by contingent workers or other recruitment options • assessing whether long-term contingent worker 	Accepted	<p>a) Deliver a project to develop a strategic workforce planning model for critical workforce segments. Strategic workforce planning is long term focused and aimed at mitigating workforce risk exposure. It will provide a shared long term view of critical workforce segments, future skill requirements and likely scenarios that can be tested and adjusted over time.</p>	March 2018	<p>PARTIALLY COMPLETED</p> <p>The status of this action has been reported as 'partially completed' because we have addressed most components of the recommendations but are continuing to develop Cluster-wide strategic workforce plans and gap closing strategies.</p> <p>While TfNSW is leading the development of Cluster-wide strategic workforce planning, the agency has also been planning for the appropriate use of contingent labour in major infrastructure projects and other areas:</p> <ul style="list-style-type: none"> • During 2016, TfNSW undertook a capital planning resource review and established the Major Projects Council. In early 	People & Corporate Services (TfNSW)

<p>engagements are the most economical and effective labour option</p> <ul style="list-style-type: none">• evaluating whether contingent workers meet agency business needs and deliver value for money.				<p>2017, the Council provided a forum to discuss workforce related issues and received information and data on the use of contingent labour in several identified occupational categories.</p> <ul style="list-style-type: none">• The Infrastructure & Services division (I&S) has implemented a reform which delivered a significant transition of contingent labour to staff roles. I&S have implemented monthly monitoring of contingent labour and achieved a 75% reduction in contingent labour against the pre-reform baseline. I&S have a resource management model for tracking resource needs across the portfolio for the (delivery) duration of the portfolio. This enables the management of short term and long term resource needs to manage the transition of staff between projects, and to optimise resource levels and mix of staff / contingent labour. The resource model is used to forecast when contingent labour will be a cost effective way to manage between peaks and troughs.• The Metro Program has a	
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					<p>workforce strategy to 2024 and uses documented principles to guide decisions on whether to engage contingent labour or use recruitment. Workforce demographics, recruitment vacancy rates, and requests for contract extensions also inform these decisions. Metro has established the use of contingent labour as one supply channel for permanent recruitment, with approximately 25% of contingent labour subsequently moving into employment.</p> <ul style="list-style-type: none">• During 2017, all areas of TfNSW were required to provide detailed plans for their workforce requirements for budget review purposes, including the extent of use of labour hire.• In October 2017, TfNSW implemented budget control measures, including CFO and Deputy Secretary review of all requests for labour extensions and engagements.• TfNSW's reliance on labour hire reduced by 25% between June 2017 and December 2017.• In 2018, as part of the FY19 budget planning cycle, all	
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					<p>areas of TfNSW received analysis on the cost of their labour hire workforce, compared with the estimated cost for an equivalent permanent or fixed term workforce. This has been used by managers to inform decisions relating to budget requests, extensions and recruitment actions.</p> <ul style="list-style-type: none">• HR Business Partners provide feedback and guidance to managers in understanding the cost, purpose and nature of work performed by contingent labour sitting against established positions, as part of the budget planning and review cycles. <p>In addition to the above actions, TfNSW is moving towards Cluster-wide strategic workforce models for critical workforce segments. These Cluster-wide strategic workforce models will provide the Transport Cluster with a consolidated view of demand and supply for critical workforce segments, across all agencies, along with plans to close the gaps.</p> <p>In early 2018 TfNSW selected a vendor to assist with creating the first</p>	
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					models. The engagement also requires the vendor to build TfNSW's capability to develop additional models over time. TfNSW is currently determining the priority of the critical workforce segments, along with the number of models and/or scenarios that can be developed each year.	
5	By March 2018 assess and centrally document the performance of their contingent workforce to ensure that services are delivered as contracted.	Accepted	a) Ensure the assessment and documentation of the performance of contingent workforce as a part of the certification of performance and services	March 2018	COMPLETE Managers complete a 'performance of service' certificate prior to payment of an invoice for labour hire. These certifications are held in a central repository.	People & Corporate Services (TfNSW)
6	By March 2018 implement processes to ensure that hiring managers consider other recruitment options prior to engaging or re-engaging contingent workers.	Accepted	a) Insert a provision in the Transport Award which now requires TfNSW as the employer to consider the following factors prior to engaging contingent labour: <ul style="list-style-type: none"> • whether there are any existing Employees who are suitable and available to carry out the work; • whether there is an urgent or pressing need to meet business requirements; or • whether there are 	March 2018	COMPLETE Since August 2017, the Transport Award requires TfNSW to consider the following factors prior to engaging contingent labour: <ul style="list-style-type: none"> • whether there are any existing Employees who are suitable and available to carry out the work; • whether there is an urgent or pressing need to meet business requirements; or • whether there are specialist skill and/or capability requirements 	People and Corporate Services (TfNSW)

			specialist skill and/or capability requirements cannot be met from within the agency.		cannot be met from within the agency. HR Business Partners provide feedback and guidance to managers when considering new labour requirements.	
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