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Dr Iris Kirkpatrick
A/Executive Director, Corruption Prevention
Independent Commission Against Corruption
GPO Box 500
SYDNEY NSW 2001

Your ref: E13/1916/02
Contact: Lyncoln Chee
Phone: (02) 8346 1846

Dear Dr Kirkpatrick,

22 MAR 2017

**Plan of action to implement corruption prevention recommendations arising from
*Investigation into the conduct of a senior officer of the NSW Department of
Justice and others***

I refer to the above matter, your letter dated 8 December 2016 and an email from Dr Benjamin Marx of your Office dated 20 February 2017 confirming the grant of an extension to reply by 22 March 2017.

In accordance with section 111E(2) of the *Independent Commission Against Corruption Act 1988 (the Act)* please find enclosed the Departmental response to recommendations and plan of action. I enclose the following attachments:

- submission signed by the Secretary, Department of Justice, in respect of the Justice ICT consolidation, optimisation, remediation and enhancement (the 'CORE' Program)
- Asset Management Services Restructure – Change Management Plan
- Asset Management Services Procurement Framework; and
- Capital Investment Proposals circular (AC2017-04).

The attachments are sensitive and confidential. The disclosure of these records may jeopardise the systems and controls in place for the management of risk. The Department provides these materials to the Commission strictly on the basis that the documents remain confidential and are not to be published or otherwise disseminated.

The Department is mindful of its obligations under section 111E(3) of the Act to provide a written report to the Commission of any progress in implementing the plan within twelve (12) months from the date of this letter.

If you have any questions please contact Lincoln Chee, Director, Inquests Inquiries & Representation on (02) 8346 1846.

Yours sincerely

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

Lida Kaban
General Counsel

Department of Justice plan of action in response to recommendations made in *Investigation into the conduct of a senior officer of the NSW Department of Justice and others*

PART A: The Department of Justice's response to corruption prevention recommendations

Please indicate the response to be taken for each recommendation made.

Recommendation 1: That the NSW Department of Justice ensures that the implementation of its upcoming program of capital works contains a mechanism to periodically review the program to ensure that its projects remain consistent with its business strategy and operating environment.

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than "implement the recommendation as described in the report", please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is proposed rather than the Commission's published recommendation.

Recommendation 2: That the Department of Justice finalises its restructure of Asset Management Services as a priority and recruits staff to permanently fill the associated positions.

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than “implement the recommendation as described in the report”, please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is proposed rather than the Commission's published recommendation.

Recommendation 3: That the Department of Justice completes the implementation of its proposed electronic document and records management system.

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than “implement the recommendation as described in the report”, please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is proposed rather than the Commission’s published recommendation.

Recommendation 4: That the Department of Justice develops a framework for governing its procurement activities that:

- **assigns governance roles and responsibilities for different types of procurement, such as goods and services procurement and construction procurement**
- **has mechanisms to detect non-compliance with procedural controls, such as the mandated use of pre-qualified suppliers.**

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than “implement the recommendation as described in the report”, please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is proposed rather than the Commission's published recommendation.

Recommendation 5: That, when developing its procurement governance framework, the Department of Justice reviews its resourcing of procurement governance to ensure that this resourcing is sufficient to successfully fulfil the associated procurement governance roles and responsibilities.

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than "implement the recommendation as described in the report", please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is proposed rather than the Commission's published recommendation.

Recommendation 6: That, as part of the implementation of its new enterprise resource planning system, the Department of Justice reviews its procure-to-pay processes to ensure that:

- **there is scrutiny around the creation of new vendors, especially if they are newly established companies**
- **system controls are designed to make certain an individual who certifies performance of service is familiar with the work in question.**

Please indicate the response the public authority will take in its plan of action:

- Implement the recommendation as described in the report
- Implement the intent of the recommendation in an alternative way
- Partially implement the recommendation
- Not implement the recommendation

If the action the Department of Justice intends is other than “implement the recommendation as described in the report”, please state the proposed action to be undertaken in the space provided below.

Please explain why the above action is action is proposed rather than the Commission's published recommendation.

PART B: The Department of Justice's plan of action

Recommendation 1: That the NSW Department of Justice ensures that the implementation of its upcoming program of capital works contains a mechanism to periodically review the program to ensure that its projects remain consistent with its business strategy and operating environment.

The Department of Justice ('the Department') endorses the recommendation.

The Department reviews its capital works program on an ongoing basis to ensure alignment with business strategy and operating environment. This is oversighted by the Asset and Technology Committee and the Finance and Investment Committee.

On 9 March 2017 the Deputy Secretary, Organisational Performance and Operations Division ('OPOD') of the Department issued Administrative Circular AC2017-04 Capital investment proposals. A copy of AC2017-04 is attached. In accordance with the Administrative Circular, physical assets will be assessed and ranked for their alignment with the Department's Strategic Asset Management 'five pillars', one of which is the strategic alignment of services and assets to ensure services are delivered where needed.

Responsibility for Implementation

Deputy Secretary, OPOD chairs the Asset and Technology Committee and the Secretary chairs the Finance and Investment Committee

Timeframes for Implementation

This recommendation has been implemented and it is reviewed on an ongoing annual basis.

Recommendation 2: That the Department of Justice finalises its restructure of Asset Management Services as a priority and recruits staff to permanently fill the associated positions.

The Department of Justice endorses the recommendation.

Implementation of Recommendation

The restructure of Asset Management Services is being actively pursued consistent with Public Service Commission requirements. The Public Service Commission approved a Change Management Plan and the restructure of Asset Management Services is underway.

A copy of the Change Management Plan is attached.

Responsibility for Implementation

Executive Director, Asset Management Services

Timeframes for Implementation

Public Sector Senior Executive roles, including the Executive Director and Directors roles, have been filled on a permanent basis in accordance with the approved Change Management Plan. The filling of non-executive roles is in progress and it is anticipated that the restructure will be completed in or around August 2017.

Recommendation 3: That the Department of Justice completes the implementation of its proposed electronic document and records management system.

The Department of Justice endorses the recommendation.

Implementation of Recommendation

The electronic document and records management system, TRIM, is being deployed across the Department of Justice as part of the Consolidation Optimisation Remediation and Enhancement program ('CORE').

A copy of the CORE program is attached.

Responsibility for Implementation

Executive Director, Digital & Technology Services

Timeframes for Implementation

This work is expected to be finalised by June 2018.

Recommendation 4: That the Department of Justice develops a framework for governing its procurement activities that:

- **assigns governance roles and responsibilities for different types of procurement, such as goods and services procurement and construction procurement**
- **has mechanisms to detect non-compliance with procedural controls, such as the mandated use of pre-qualified suppliers.**

The Department of Justice endorses the recommendation.

Implementation of Recommendation

SAP, an Enterprise Resource Planning System, is being implemented within the Department.

The Justice Procurement Team responsible for goods and services procurements has established a Procurement Policy & Governance team to lead and provide ongoing monitoring of procurement policy, advisory services and governance for the agency. Specifically, the team provides expert policy and governance advice; and manages the implementation and monitoring of the procurement governance framework and systems across the agency. The Team has initiated an ongoing process of reviewing business unit expenditure to confirm compliance with procedural controls.

In Asset Management Services, a Project Governance Board is now in operation. The Board reviews all AMS projects involving relevant senior executives. A Director, Governance & Reporting, has been appointed. New reports have been developed and updated processes have been implemented. A new construction procurement framework was prepared, reviewed and implemented in June 2015. The framework is regularly reviewed and updated. The last revision was issued in November 2016 and the framework is currently being further refined and simplified. A copy of the AMS Procurement Framework is attached.

The new AMS construction procurement framework has mechanisms to detect non-compliance with procedural controls, such as the mandated use of pre-qualified suppliers.

Item Number 13.5 of the AMS Procurement Framework addresses procedures and controls for the 'selection of service providers', requiring:

- Approval must be gained for the use of a tender panel
- Tender Panels will be formed by selecting the recommended number of Service Providers from the lists of pre-qualified contractors or consultants
- NSW Procurement maintains lists of pre-qualified contractors in specific categories. Where a category of pre-qualified contractors or consultants exists it should be used.

Responsibility for Implementation

Chief Procurement Officer in relation to goods and services

Executive Director, Asset Management Services in relation to Asset Management Services construction projects

Timeframes for Implementation

It is expected that the implementation of SAP will be complete by July 2017 in all divisions except for Corrective Services NSW. The implementation of SAP in relation to Corrective Services NSW is subject to the completion of a rostering solution.

The Procurement Policy & Governance team in the Justice Procurement Team responsible for goods and services procurements has been established and all positions recruited.

Recommendation 5: That, when developing its procurement governance framework, the Department of Justice reviews its resourcing of procurement governance to ensure that this resourcing is sufficient to successfully fulfil the associated procurement governance roles and responsibilities.

The Department of Justice endorses the recommendation.

Implementation of Recommendation

The Justice Procurement Team responsible for goods and services procurements has established a Procurement Policy & Governance team to lead and provide ongoing monitoring of procurement policy, advisory services and governance for the agency. Specifically, the team provides expert policy and governance advice; and manages the implementation and monitoring of the procurement governance framework and systems across the agency. The Team has initiated an ongoing process of reviewing business unit expenditure to confirm compliance with procedural controls.

A Director, Corporate Performance, has been appointed. The role includes a governance function.

In Asset Management Services, a Project Governance Board is now in operation. The Board reviews all projects involving relevant senior executives. A Director, Governance & Reporting, has been appointed. New reports have been developed and updated processes have been implemented. A new construction procurement framework was prepared, reviewed and implemented in June 2015. The framework is regularly reviewed and updated. The last revision was issued in November 2016 and the framework is currently being further refined and simplified.

Responsibility for Implementation

Chief Procurement Officer

Executive Director, Asset Management Services

Timeframes for Implementation

The Procurement Policy & Governance team in the Justice Procurement Team responsible for goods and services procurements has been established and all positions recruited.

In relation to Asset Management Services, Public Sector Senior Executive roles, including the Executive Director and Directors roles, have been filled on a permanent basis in accordance with the approved Change Management Plan. The filling of non-executive roles is in progress and it is anticipated that the restructure will be completed in or around August 2017.

Recommendation 6: That, as part of the implementation of its new enterprise resource planning system, the Department of Justice reviews its procure-to-pay processes to ensure that:

- **there is scrutiny around the creation of new vendors, especially if they are newly established companies**
- **system controls are designed to make certain an individual who certifies performance of service is familiar with the work in question.**

The Department of Justice endorses the recommendation.

Implementation of Recommendation

The vendor creation process is generated by the business user and approved by the manager in charge of that unit. It requires the business user to state the reason for vendor creation and link to existing contracts. The creation of the vendor in the system is processed by the Business Support centre verifying that the vendor is registered on the Australian Business Register. Procurement provides a strategic review of suppliers created to ensure alignment to established / mandated purchasing channels and existing contracts.

Standard system controls and workflows recently implemented ensure that requisitions are approved as per financial delegation prior to purchase orders being issued to suppliers. Workflows are based on organisational hierarchy. The performance of service is by default linked to the initial requestor and a record of approval and performance of service is retained in the system.

Responsibility for Implementation

Vendor creation process: Chief Procurement Officer

System controls: Director Delivery Justice Technology Digital Services

Timeframes for Implementation

The recommendation will be fully implemented by July 2017 in all divisions except for Corrective Services NSW. The implementation of SAP in relation to Corrective Services NSW is subject to the completion of a rostering solution.