

Department of Finance, Services and Innovation (DFSI) plan of action in response to recommendations made in *NSW Department of Finance, Services and Innovation - allegations concerning the conduct of an ICT project manager (Operation Yarrow)*

PART A: Department of Finance, Services and Innovation's response to corruption prevention recommendations

Firstly please indicate the response to be taken for each recommendation made.

Recommendation 1:

That DFSI ensures that recruitment companies use better practice-checking methodologies when conducting reference and other checks of applicants.

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 DFSI 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.

Complete

DFSI has implemented a one-stop-shop recruitment process that provides a centralised engagement process and ongoing management of contingent labour engagements, delivering new ways of undertaking reference checks by utilising external companies continuing to use recruitment agencies and undertaking references directly where appropriate. Specifically, 'Fit 2 Work' has been engaged by DFSI to verify potential recruitment candidate's references and undertake a broad suite of pre-engagement checks on behalf of DFSI.

DFSI has developed a suite of validation checks based on risk factors and specific role types. Police checks and other checks for high risk roles are determined by divisions. A Pre-employment matrix has been defined to map required checks to certain roles. DFSI have implemented employee and contractor validation packages that are completed based on the level and type of role. Package 1 is the minimum for all staff and covers identity checks,

Sensitive

educational qualification verification and employment history verification. Packages 2-4 cover additional checks for executives and high-risk roles such as finance or those that are responsible for revenue. The additional checks from these packages include: local police checks, overseas police checks, bankruptcy and insolvency, APRA board and ASIC disqualified persons checks.

A review of agency methodology under SCM0007 has been completed, ensuring the recruitment methodology is acceptable and practices are monitored. The methodology utilises suppliers who are part of the pre-qualification scheme.

Key performance indicators (KPIs) relating to reference and pre-engagement checks are built into DFSI contracts with external recruitment agencies and these are monitored on an ongoing basis. Failure to meet the KPIs could result in suppliers being removed from the scheme as detailed in clause 18,19 and 20 of the rules. The KPIs relate to the following areas: online ordering, response times, job receipts, references, invoicing, customer satisfaction and reporting.

DFSI has mandated having an ongoing staff member at equal or higher level than the hiring contractor position present on a recruitment panel, when a temporary / contractor position is hiring a contractor role. This has been done to ensure the DFSI recruitment processes remain consistent, rigorous and transparent. To further safeguard this, contractors are unable to be the designated 'hiring officer' during a DFSI recruitment process. This means that Executives and or senior clerk grade staff sign off on recruitment of other contractors and take responsibility for ensuring it complies with DFSI requirements and policies.

The DFSI People and Culture (P&C) business unit has made changes to the contractor engagement process that allows for P&C to consider engaging a staff member with required skills who can then be assigned to various projects before a contractor is engaged. Approvals for engaging a contractor are managed by the Fieldglass system (Contractor Central). Engaging contract workers requires approval from the appropriate delegate from P&C.

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

N/A

Recommendation 2:

That DFSI develops a framework to ensure that the employment screening checks conducted of contractors are commensurate with the level of risk posed by their respective engagements.

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

- Implement the recommendation as described in the report

Sensitive

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

If the action DFSI 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.

Complete

DFSI has implemented a one-stop-shop recruitment process that provides a centralised engagement process and ongoing management of contingent labour engagements, delivering new ways of undertaking reference checks by utilising external companies and continuing to use recruitment agencies. Specifically, ‘Fit 2 Work’ has been engaged by DFSI to verify potential recruitment candidate’s references and undertake a broad suite of pre-engagement checks on behalf of DFSI.

DFSI has developed a suite of validation checks based on risk factors and specific role types. Police checks and other checks for high risk roles are determined by divisions. A Pre-employment matrix has been defined to map required checks to certain roles. DFSI have implemented employee and contractor validation packages that are completed based on the level and type of role. Package 1 is the minimum for all staff and covers identity checks, educational qualification verification and employment history verification. Packages 2-4 cover additional checks for executives and high-risk roles such as finance or those that are responsible for revenue. The additional checks from these packages include: local police checks, overseas police checks, bankruptcy and insolvency, APRA board and ASIC disqualified persons checks.

We have changed the way contingent labour is managed within DFSI by incorporating Contractor Central into the People and Culture (P&C) team to ensure that P&C are responsible not only for ongoing staff but recruitment, employee management, training, development, and compliance.

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

N/A

Recommendation 3:

That a specialist business unit within DFSI be given responsibility for managing its contingent labour engagements

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

Sensitive

Not implement the recommendation

If the action DFSI 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.

Complete

DFSI has implemented a one-stop-shop recruitment process that provides a centralised engagement process and ongoing management of contingent labour engagements. All ongoing and contingent labour must go through People & Culture one-stop-shop and follow consistent processes, policies and requirements that integrates workforce planning best practices and standard training and guidelines. This group are now part of the wider People and Culture team and responsible for all DFSI ongoing and contingent staff.

Changes have been implemented in relation to the contractor engagement process that allows for P&C to consider engaging a staff member with required skills who can then be assigned to various projects as required. Approvals for engaging a contractor are managed by the Fieldglass system (Contractor Central). This allows DFSI to reduce our contingent labour costs, improve compliance, simplify delegations and develop a stronger team.

The one-stop-shop delivers a dedicated recruitment partner to work with People Managers to provide strategic advice and support on all requests to fill roles, including the most efficient and effective sourcing option: internal, external, talent pools, agency or contingent.

DFSI has standardised its recruitment methodology for executive and non-executive roles, by establishing six phases of recruitment Planning & Approvals, Sourcing, Shortlisting, Assessing, Employment Checks, and Offer & Appointment. This methodology ensures that a consistent standard is followed regardless of role and employee engagement process ensuring all DFSI staff understand how the processes of recruitment work and ensures that business units Strategic Workforce Plan and the most appropriate form of engagement have been considered.

DFSI has ensured that all staff are aware of the approval requirements to engage suppliers to deliver Professional Services by issuing a circular to all staff. The DFSI Secretary issued a DFSI-wide Circular in February 2018 (2018-01D) confirming the delegation level required to engage Professional Services to ensure that the most senior members of the agency approve engagements and that DFSI is meeting its policy requirements, as summarised below:

- Deputy Secretary approval for contract values of less than \$50,000 excluding GST
- Secretary approval for contract values of \$50,000 excluding GST or greater.

The Circular also specifies that Professional Service engagements should use the Performance and Management Services Prequalification Scheme, the need for various quotes prior to engagement and exemptions to these requirements.

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

N/A

Sensitive

Recommendation 4:

That DFSI develops a mechanism to verify that a supplier is a member of a specific prequalification scheme prior to being engaged under that scheme.

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 DFSI 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.

To be finalised by June 2019

The DFSI Secretary issued a DFSI-wide Circular in February 2018 (2018-01D) confirming the delegation level required to engage Professional Services and ensures that the most senior members of the agency approve engagements and that DFSI is meeting policy requirements. In accordance with this circular, DFSI staff are required to submit for Deputy and Secretary approval, a briefing note that provides a high-level overview of the proposed engagement; outlines why a consultant is required; and explain how we will maximise value from the proposed engagement.

DFSI staff are required to indicate which suppliers they intend to approach via briefing note to the Secretary or Deputy Secretary when seeking approval to engage and provide a budget /cost range for the engagement along with a check list that ensures all activities are complete.

DFSI has implemented Contractor Central – a centralised, web-based approach to engaging contingent labour requirements.

DFSI are working through all active engagements to identify engagements where a prequalification scheme was not used, once identified the engagement will be transitioned to Contractor Central where possible. Out of 298 workers on active engagements, 194 workers have been investigated and 10 workers have been transitioned to Contractor Central. DFSI Procurement will continue with the review of the remaining 104 engagements by 30 June 2019. 184 have been identified that will remain on SCH0020.

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

N/A

Sensitive

Recommendation 5:

That DFSI ensures that all new suppliers are subject to a due diligence process that enables the detection of red flags indicating that a supplier may not be genuine.

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 DFSI 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.

To be finalised by June 2019.

The DFSI Secretary issued a DFSI-wide Circular in February 2018 (2018-01D) to confirm the delegation level required to engage Professional Services and to ensure that only the most senior members of the agency approve engagements and that DFSI is meeting policy requirements. In accordance with this circular, DFSI staff are required to submit for Deputy and/or Secretary approval, a briefing note that provides a high-level overview of the proposed engagement; outlines why a consultant is required; and explain how we will maximise value from the proposed engagement. DFSI staff are required to indicate which suppliers they intend to approach scheme via briefing note to the Secretary or Deputy Secretary when seeking approval to engage and provide a budget /cost range for the engagement along with a check list that ensures all activities are complete.

During the supplier creation/change process the vendor master eform ensures that suppliers are validated against the Australian Business Register via an integration. Changes to the vendor mater file also require authorisation by the finance manager within Corporate Finance. The existing checks that have been built into the eform and the audit capability that this form provides ensures that red flags are identified and suppliers that are not genuine identified. DFSI are investigating further integrations that will utilise ASIC and Dunn & Bradstreet reporting capability to validate supplier company history.

Once approval is obtained via the briefing note staff are required to use ProcurePoint, to search for the relevant NSW Government contract or prequalification scheme in which consultants are required (e.g. Construction, ICT, Legal, Management, etc.). A whole-of-government contract or mandated prequalification scheme must be used to obtain goods or services for which a contract or scheme provides. Each contract or prequalification scheme page provides detailed information including which services are available, which suppliers are prequalified for each service, guidelines on how to engage suppliers and the rules of engagement.

DFSI are working through all active engagements to identify engagements where a prequalification scheme was not used, once identified the engagement will be transitioned to Contractor Central. Out of 298 workers on active engagements, 194 workers have been investigated and 10 workers have been transitioned to Contractor Central. DFSI

Sensitive

Procurement will continue with the review of the remaining 104 engagements by 30 June 2019.

DFSI staff are required to seek at least three quotations for professional services engagements that are:

- greater than \$250,000 (excluding GST) for suppliers that are compliant with the standard commercial framework as per Procurement Board Direction 2018-01
- greater than \$150,000 ex GST for all other suppliers on the Performance and Management Services prequalification scheme.
- part of the Services prequalification scheme
- any value for High End Strategy consultancy services
- any value engagements with suppliers that are not compliant with the standard commercial framework as per Procurement Board Direction 2018-01
- any value for engagements with suppliers not prequalified on the Performance and Management Services prequalification scheme.

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

N/A

Recommendation 6:

That DFSI provides guidance to its staff who hold a financial delegation about red flags on quotations that indicate that a supplier may not be genuine.

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 DFSI 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.

Complete

DFSI have developed Procurement and SAP system specific guidelines that support staff in procurement activities. The guidelines support payment processing steps and remedial advice covering what to do if issues, red flags or errors occur. The guidelines will target specific procurement and SAP users involved in processing payments.

Sensitive

DFSI has implemented a modification to the purchase order approval workflow template to add a disclaimer that reminds staff of their responsibilities in approving any given purchase order “Pop Up Box for Purchase Order Creators” and “Paragraph to include in the Purchase Order Approval Workflow”. It is essential that the proper Procurement Policy and Procedures for your organisation are followed and that no verbal or written commitment is made to any supplier to purchase goods or services until a properly authorised and approved Purchase Order has been raised. You must ensure that all supporting documentation (where relevant), including but not limited to, quotes, tender evaluations and procurement panel evaluation materials are available for audit purposes. By clicking on the button “Approve”, you are confirming that all supporting documentation is available, and you will be accountable for the proper execution of the procurement processes for your area of responsibility.

It is not possible to obtain quotes unless suppliers are part of an authorised pre-qualification scheme. The validation and checks against “red flags” within the vendor master file ensure that quotations are only obtained from valid suppliers that are pre-qualified.

DFSI has implemented the following SAP reporting capability to monitor malicious, erroneous or fraudulent behaviour. Reporting has been created in the following categories: Purchase Orders, Goods Receipting, Accounts Payable, Financial Performance, Payment Activity, and Accounts Receivable.

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

N/A

Recommendation 7:

That DFSI revises its processes surrounding the creation of new vendors to ensure that information supplied about new vendors is verified prior to being entered into its vendor master file, particularly when non-prequalified or newly prequalified suppliers are used.

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 DFSI 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.

Complete

Agencies deal with numerous local Vendors (creditors) whose remittance details can be subject to change based on their most recent invoices or other correspondence received

Sensitive

during commerce. DFSI has changed the vendor management process by implementing an electronic form (eForm) that has strengthened our operational process. The implementation of this eForm provides system tracked approvals, validation of information entered, audit trails of information that is changed, and provides integration to the Australian Business Register allow validation checks of vendor details.

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

N/A

Recommendation 8:

That, wherever possible, DFSI avoids using rate card engagements from the SCM0020 or SCM0005 schemes.

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 DFSI 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.

To be finalised by November 2019.

The recommendation to remove labour hire engagements under SCM0005 and SCM0020 has been fully considered. However, there are many types of projects under SCM0005 and SCM0020 involving daily rate cards, for example time and materials engagements. Therefore, the recommendation to remove rate card engagements would not be practical to implement and is not supported by DFSI.

DFSI is severely restricting the use of day rate engagements for SCM0005 and SCM0020 through a policy preventing the hiring of day rate contractors under these schemes, except in specific circumstance as detailed in circular DFSI-2018-01D (which are largely related to highly specialist ICT professional services). These contractors are monitored by the ICT Project Management Office in terms of charges relative to engaged service outputs / outcomes.

NSW Procurement is proposing the use of a Vendor Management Systems (VMS) to monitor deliverables for professional services projects. A pilot project is planned for DFSI with a small number of suppliers prior to a full implementation across all suppliers.

Sensitive

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

The recommendation to remove labour hire engagements under SCM0005 and SCM0020 has been fully considered. However, there are many types of projects under SCM0005 and SCM0020 involving daily rate cards, for example time and materials engagements. Therefore, the recommendation to remove rate card engagements would not be practical to implement and is not supported by DFSI.

Recommendation 9:

That, if a SCM0020 or SCM0005 engagement is used, DFSI ensures that the reasonableness of the relevant rates is verified by an individual who:

- **has strong market knowledge**
- **is not involved in the engagement.**

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 DFSI 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.

Complete

The DFSI Secretary issued a DFSI-wide Circular in February 2018 (2018-01D) to confirm the delegation level required to engage Professional Services and to ensure that only the most senior members of the agency approve engagements and that DFSI is meeting policy requirements. In accordance with this circular, DFSI staff are required to submit for Deputy and/or Secretary approval, a briefing note that provides a high-level overview of the proposed engagement; outlines why a consultant is required; and explain how we will maximise value from the proposed engagement. DFSI staff are required to indicate which suppliers they intend to approach when using a prequalification scheme and provide a budget /cost range for the engagement along with a check list that ensures all activities are complete. As part of Secretary or Deputy Secretary approval checks are completed against all those that are involved in the engagement process and cross-checks against other engagements looking at scope, cost, and deliverables. Where engagements are highly specialised the Secretary or Deputy Secretary may request multiple quotes or proposals to validate the engagement against the market.

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

N/A

Sensitive

Recommendation 10:

That the NSW Procurement Board formally communicates to agencies that the SCM0020 and SCM0005 schemes are not to be used in lieu of the SCM0007 scheme.

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 DFSI 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.

To be finalised by November 2019.

The recommendation to remove labour hire engagements under SCM0005 and SCM0020 has been fully considered. However, there are many types of projects under SCM0005 and SCM0020 involving daily rate cards, for example time and materials engagements. Therefore, the recommendation to remove rate card engagements would not be practical to implement and is not supported by DFSI.

NSW Procurement is proposing the use of a Vendor Management Systems (VMS) to monitor deliverables for professional services projects. A pilot project is planned for DFSI with a small number of suppliers prior to a full implementation across all suppliers.

NSW Procurement are recommending at a WoG level that Procure IT v3.2 Module 6:

(a) delete module 6 in its entirety or

(b) clearly state that any Customer who needs to buy the services of personnel with IT related skills on a “contractor” basis, must engage through SCM0007.

Consultation on this action is currently being undertaken with WoG ICT Procurement prior to finalisation.

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

The recommendation to remove labour hire engagements under SCM0005 and SCM0020 has been fully considered. However, there are many types of projects under SCM0005 and SCM0020 involving daily rate cards, for example time and materials engagements. Therefore, the recommendation to remove rate card engagements would not be practical to implement and is not supported by DFSI.

Sensitive

Recommendation 11:

That DFSI develops a system for reporting and/or escalating red flags related to projects and procurement activities such as:

- the use of multiple purchase orders for the same supplier with respect to the same project or activity
- purchase orders being raised after the receipt of invoices
- purchase orders with dollar values corresponding to amounts that are just below those for which key processes (such as the Procure IT framework) apply.

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 DFSI 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.

Complete

DFSI has implemented the following SAP reporting capability to monitor malicious, erroneous or fraudulent behaviour. The reporting can look at purchase order price or vendors to check red flags or fraudulent behaviour. Reporting has been created in the following categories: Purchase Orders, Goods Receipting, Accounts Payable, Financial Performance, Payment Activity, and Accounts Receivable. The reporting that has been created around purchase orders will check, validate and identify possible areas for concern around purchase order mis-use for example incorrect order values, multiple orders for the same goods and services from the same supplier, purchase orders that are raised after the work has been completed and or invoiced has been received. The use of the automatic payment processing ensures that 3-way matching on invoices occur before payments are processed.

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

N/A

Recommendation 12:

That DFSI provides guidance about red flags on invoices to DFSI officers who either hold a financial delegation or process the payment of invoices.

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

Sensitive

- 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 DFSI 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.

Complete

DFSI has implemented a modification to the purchase order approval workflow template to add a disclaimer that reminds staff of their responsibilities in approving any given purchase order “Pop Up Box for Purchase Order Creators” and “Paragraph to include in the Purchase Order Approval Workflow”. It is essential that the proper Procurement Policy and Procedures for your organisation are followed and that no verbal or written commitment is made to any supplier to purchase goods or services until a properly authorised and approved Purchase Order has been raised. You must ensure that all supporting documentation (where relevant), including but not limited to, quotes, tender evaluations and procurement panel evaluation materials are available for audit purposes. By clicking on the button “Approve”, you are confirming that all supporting documentation is available, and you will be accountable for the proper execution of the procurement processes for your area of responsibility.

DFSI has implemented the following SAP reporting capability to monitor malicious, erroneous or fraudulent behaviour. Reporting has been created in the following categories: Purchase Orders, Goods Receipting, Accounts Payable, Financial Performance, Payment Activity, and Accounts Receivable. DFSI has implemented a standard and consistent P2P process that outlines purchasing, transactional guidelines and instructions on where to purchase goods and/or services, thresholds and limits on purchase, completing the transaction to purchase, supplier payments, receiving and receipting goods, and supplier payments. DFSI has also developed Procurement and SAP system specific guidelines that support staff in procurement activities. The guidelines support payment processing steps and remedial advice covering what to do if issues, red flags or errors occur. The guidelines will target specific procurement and SAP users involved in processing payments.

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

N/A

Recommendation 13:

That DFSI revises its invoice approval and accounts payable processes to ensure that invoices are checked for red flags.

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

Sensitive

- 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 DFSI 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.

Complete

DFSI has implemented a modification to the purchase order approval workflow template to add a disclaimer that reminds staff of their responsibilities in approving any given purchase order “Pop Up Box for Purchase Order Creators” and “Paragraph to include in the Purchase Order Approval Workflow”. It is essential that the proper Procurement Policy and Procedures for your organisation are followed and that no verbal or written commitment is made to any supplier to purchase goods or services until a properly authorised and approved Purchase Order has been raised. You must ensure that all supporting documentation (where relevant), including but not limited to, quotes, tender evaluations and procurement panel evaluation materials are available for audit purposes. By clicking on the button “Approve”, you are confirming that all supporting documentation is available, and you will be accountable for the proper execution of the procurement processes for your area of responsibility.

DFSI has implemented the following SAP reporting capability to monitor malicious, erroneous or fraudulent behaviour. Reporting has been created in the following categories: Purchase Orders, Goods Receipting, Accounts Payable, Financial Performance, Payment Activity, and Accounts Receivable. DFSI has also developed Procurement and SAP system specific guidelines that support staff in procurement activities. The guidelines support payment processing steps and remedial advice covering what to do if issues, red flags or errors occur. The guidelines will target specific procurement and SAP users involved in processing payments. DFSI has implemented standardised vendor payment processes. The first process is for low value transactions where ongoing staff that hold an agency delegation use an agency issued p-card for expenditure that meets the agency p-card expenditure categories and thresholds. These p-card transactions are acquitted and reconciled by the card holder and approved by the one up manager. Larger transactions for agency suppliers that send invoices are processed for payment via purchase orders except for pre-approved categories that are monitored and authorised for payment without purchase orders.

DFSI have developed Procurement and SAP system specific guidelines that support staff in procurement activities. The guidelines support payment processing steps and remedial advice covering what to do if issues, red flags or errors occur. The guidelines will target specific procurement and SAP users involved in processing payments. The guidelines cover SAP purchasing, Non-Catalogue purchase order creation, changing an existing purchase order, and creation of catalogue purchase orders.

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

N/A

Sensitive

Recommendation 14:

That DFSI implements data analytic tools to help manage the risks associated with red flags on invoices.

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 DFSI 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.

Complete

The ICAC investigation has identified areas where “red flags” can occur and to mitigate these areas, DFSI has standardised and consolidated its various procurement systems across its various entities and agencies delivering one SAP, GovConnect system, as well as Contractor Central to be used as the single contingent labour system. This harmonisation of systems will allow easier risk identification and data analytics to occur for procurement activities including spend categories, suppliers, contingent labour use, risk etc.

DFSI has implemented a standard and consistent P2P process that outlines purchasing, transactional guidelines and instructions on where to purchase goods and/or services, thresholds and limits on purchase, completing the transaction to purchase, supplier payments, receiving and receipting goods, and supplier payments. There must be at least 2 different people involved in each purchasing request and both people must have appropriate DFSI delegation. Workflows are set up in SAP in line with positional hierarchy and inbuilt delegation levels as per DFSI Financial Delegations. The automation of the P2P process using processing software ensures that checks for “red flags” around the supplier, and the purchase order are validated using 3-way matching processes.

DFSI has implemented SAP BW Reporting which is a Business Data Warehouse consisting of two applications, SAP BW Analytics for Excel and SAP Web Intelligence (WebI). These applications draw information from the data source made up of financial, and HR data, and provide customers with the functionality required to analyse and interrogate data. The implementation of this BI tools has been enabled by the standardisation of One SAP system which has allowed DFSI to standardise procurement and finance systems and remove data that is fragmented and required manual collation and remove areas for error.

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

N/A

Sensitive

Recommendation 15:

That DFSI informs staff involved in the management or governance of projects of the risks associated with contracted project managers and the consequent need to manage these project managers carefully.

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 DFSI 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.

Complete

A briefing session with the DFSI Executive was held in FY17/18 Q4. This briefing has identified key areas where corruption can occur, evaluating real cases of corruption and broadly creating awareness amongst the Executive regarding their responsibilities and the implications when things go wrong.

The DFSI Secretary informed all Senior Executive (who are sponsors of all key projects across the agency) about Operation Yarrow including reminder to all staff to remain vigilant in the recruitment and ongoing management of contractors and contingent staff. The message also informed them of changes in DFSI since this time and key actions taken as a result of the 15 ICAC recommendations. A follow up message was issued the all project management office leads across DFSI reminding them of the Secretary’s message, key requirements when engaging professional services and recommending actions to take to mitigate risks when recruiting contractors.

As previously advised, DFSI has ensured that all staff are aware of the approval requirements to engage suppliers to deliver Professional Services by issuing a circular to all staff. The DFSI Secretary issued a DFSI-wide Circular in February 2018 (2018-01D) confirming the delegation level required to engage Professional Services to ensure that the most senior members of the agency approve engagements and that DFSI is meeting its policy requirements, as summarised below:

- Deputy Secretary approval for contract values of less than \$50,000 excluding GST
- Secretary approval for contract values of \$50,000 excluding GST or greater.

In DFSI, all ICT projects are now managed by an ICT Project Management Office and an ICT Capital Review Board that approves all ICT project investment business cases. Approvals are based on ensuring their intended benefits are aligned to deliver DFSI and ICT strategic outcomes, and whole of government priorities and it monitors ongoing actual spend against plan, and identify risks and issues relating spend against the plan.

Sensitive

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

N/A

PART B: Department of Finance, Services and Innovation's plan of action

In this section, please provide details of Department of Finance, Services and Innovation's plan of action in relation to the recommendations and/or proposed actions described above.

The scope and scale of recommendations made in investigation reports varies considerably, and the Commission recognises a single template may not suit every agency or investigation. In view of this, the Department of Finance, Services and Innovation is invited to develop a format that is appropriate for the proposed plan of action and subsequent report(s).

The Commission asks that the plan of action and subsequent proposed report formats are developed in consultation with the ICAC's corruption prevention representative named in the cover letter. The ICAC corruption prevention representative will advise if the plan or report format has the Commission's endorsement.

However, if Department of Finance, Services and Innovation prefers to adhere to an established format, the following may be used as a guide.

Plan of action

Each specific recommendation or proposed action

Action to be taken describing activities, allocating responsibility, measures to be used

All details are provided in Part A, as per advice from the ICAC.

Sensitive