

NSW ICAC EXHIBIT

From: Daryl McCreadie
Sent: Thu, 11 Aug 2016 13:50:57 +1000
To: Tammy Iselt
Cc: Neil Fields
Subject: RE: FW: University of Sydney - KPMG audit of SNP contract.
Attachments: KPMG response to USYD.docx

I've inserted notes to explain the auditors comments, drafting a response now to look at before we respond....

From: Daryl McCreadie
Sent: Thursday, 11 August 2016 8:58 AM
To: 'Tammy Iselt'
Cc: Neil Fields
Subject: RE: FW: University of Sydney - KPMG audit of SNP contract.

Working on the doc today, just having trouble converting from PDF to Word so I can insert comments

From: Tammy Iselt [<mailto:tiselt@snpsecurity.com.au>]
Sent: Tuesday, 9 August 2016 1:26 PM
To: Daryl McCreadie
Subject: Re: FW: University of Sydney - KPMG audit of SNP contract.

Sure - send them through Daryl

Regards,
Tammy Iselt
National ER Manager
HR
SNP Security
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On 9 August 2016 at 12:50, Daryl McCreadie <daryl.mccreadie@sydney.edu.au> wrote:
Hi Tammy,

Before you do, can I please send you some notes. I've been working on some notes with Dennis Smith that I can send through in response to KPMG's audit.

Kind regards,
Daryl

From: Sue Matley [mailto:smatley@snpsecurity.com.au]
Sent: Tuesday, 9 August 2016 12:38 PM
To: Daryl McCreadie
Cc: Neil Fields; Tom Roche; Tammy Iselt; Darlene Winston
Subject: Re: University of Sydney - KPMG audit of SNP contract.

Daryl

Tammy will prepare a formal response for the client.

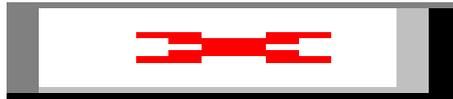
Sue

Sue Matley

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On 8 August 2016 at 14:06, Daryl McCreadie <daryl.mccreadie@sydney.edu.au> wrote:
Hi Neil and Tom,

There are some comments that the auditors have flagged as “significant” issues that I think they have over inflated. I’ll put some notes together for tomorrow after I have a bit of time to read through again.

Dennis had a read of the report and said that he had no major issues regarding what the auditors had highlighted.

Kind regards,
Daryl

From: Neil Fields [mailto:nfields@snpsecurity.com.au]
Sent: Monday, 8 August 2016 12:21 PM
To: Tom Roche
Cc: Sue Matley; Daryl McCreadie; Tammy Iselt
Subject: Fwd: University of Sydney - KPMG audit of SNP contract.

Hi Tom

Dennis from the university wanted me to forward to you

Neil Fields
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----- Forwarded message -----

From: **Dennis Smith** <dennis.smith@sydney.edu.au>

Date: 8 August 2016 at 10:06

Subject: University of Sydney - KPMG audit of SNP contract.

To: Daryl McCreddie <daryl.mccreadie@sydney.edu.au>, "nfields@snpsecurity.com.au" <nfields@snpsecurity.com.au>

Dear Neil and Daryl, the University of Sydney recently engaged KPMG Audit group to conduct a number of audits within the Campus Infrastructure Services (CIS) Department. To this end, one of the contracts reviewed was an internal audit of contract compliance between Sydney Night Patrol (SNP) and The University.

I have read the full report and extracted the relevant sections for SNP senior management to review and implement immediate corrective action. The key observations/findings are broken down into three broad categories;

- **Significant (1.1) a) b) c)**
- **Issues of concern (1.2)**
- **Minor Issue (1.3)**

There are a number findings from this audit that cut across these three categories. See attached PDF.

I now request that SNP senior managers review the findings/recommendations presented by KPMG Audit group and formally respond to the University in writing by COB Friday 19th August, 2016. The response should indicate how these practices came to be in the first place and remedial actions to be undertaken to prevent any further reoccurrence.

Regards

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Dennis Smith

08 August, 2016.

DENNIS SMITH | Operations Manager
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NSW ICAC EXHIBIT**KPMG highlighted Section 1.1 as a significant issue****1.1 Practices exist to circumvent payment of overtime allowance to SNP staff resulting in non-compliance to the EBA**

In accordance with Clause 2.2 (c) - Provision of Services, 'The Supplier must supply the Service in accordance with relevant Australian industry standards, best practice and guidelines or where none apply, relevant international industry standards.'

On performing a reconciliation between the rosters, sign-in/sign-out books and payroll data (for January 2016 to March 2016) for a sample of ten SNP staff, internal audit identified practices that could potentially circumvent SNP's obligations relating to payment of overtime allowance to security guards. On discussions with SNP, it was noted that this was due to a few security guards working both as SNP staff (as per the core roster) and as SIG staff (for extra shifts over and above the roster at normal rates). It is also noted that beyond the issue with overtime allowances, this practice may pose an occupational hazard to staff who work on a continuous basis without adequate rest breaks between shifts.

DM – it was pointed out to the auditors that it is common for employees in our industry to have more than one means of income due to the nature of wages in the industry. It was also highlighted that our roster at the Uni provides staff with the opportunity to be able to pursue other means of income or jobs which we have no control over.

The above was supported by the following discrepancies as noted in our testing and site interviews:

- a) Overtime not paid to staff: As per Clause 12.1 of the SNP EBA, 'An employee may elect to work additional hours outside of rostered ordinary hours. Such hours as worked shall be paid for at the rate prescribed in Clause 8.1 for Voluntary Overtime'. It was noted that for four out of eight staff, there were instances where the number of hours recorded in the sign-in/sign-out records was more than those specified in the SNP roster, however as per Payroll data this was not paid as overtime. This may be due to the fact that the same security guard is working for both as SIG and SNP; the same sign-in/sign-out sheet is used by SNP and SIG, therefore the total hours recorded there would mismatch with the SNP payroll data, with the balance being paid by SIG (which we were unable to validate as this related to SIG payroll data). However, our interviews with sample security guards confirmed that some guards are working as both SNP and SIG staff often on advice from SNP, as means to get additional work without getting overtime allowance.

DM – It was explained to KPMG that as a business we have to manage overtime costs and that we have approval from USYD to use SIG as a nominated provider under the contract to pick up the additional works. I mentioned to KPMG that some of our staff request to have their overtime paid via SNP and some via SIG.

When KPMG questioned me further on this I explained that a lot of our staff have second jobs where we don't know what they are doing, where they are working and when. If we exclude our direct staff from picking up additional work they could be working elsewhere and then turning up to work for us at the University. By allowing our staff to work as a casual with our contractor we are able to support them to earn additional income and we have vision over their rostered hours as well as being able to provide the University with the level of service they demand.

- b) Working beyond hours/days specified in the EBA: As per Clause 12.1(c), 'no employee shall be required to work 12 hour shifts on more than five consecutive days.' However for three out of eight staff, we noted instances where staff were working more than five days a week consecutively on 12 hour shifts, resulting in non-compliance to the EBA. Additionally, there were instances where the same staff had worked for six days or more consecutively, however the hours worked on one of the days was less than 12 (often ten or eight) which may not

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actually result in non-compliance to the EBA, however the staff still ends up working more than five days in a row.

DM – We don't require or roster staff to work more than 4 x 12 hour shifts in a row. They may be called and offered additional work, but they are under no obligation to have to work it. We give our core staff first option. Not all additional work is for 12 hours in duration. We have a lot of 4 hour shifts that need to be filled.

On review of sign-in/sign-out records, we also noted that one security guard (SIG) had worked for 15 days in a row without any breaks (the number of hours worked per shift varied from four to 13). As per the Modern Award, separate long breaks of continuous time off work in each roster cycle, depending on the length of the roster cycle should be given to staff. For instance, as per Clause 21.4 (b) of the Award, *'regardless of the roster cycle, an employee on a roster cycle must not be required to work more than a total of 48 hours of ordinary time without a long break of at least 48 continuous hours.'*

DM – This one is a concern, I'll go over the records to identify who it was and see what break they had after that period and what I can do to prevent it from happening again.

- c) Inaccurate/out-of-date rosters: It was noted that rosters were not up to date and did not reflect the actual number of days that staff were working on site. It was noted that for six out of ten staff, there were instances where the number of hours/days worked mismatched with the roster. Further, there were instances where staff on the roster did not actually work on that site/campus for a certain period, however the roster was not updated with the changes/replacement staff. For instance, the March 2016 core roster had eight instances where the security guard on the roster did not actually work on site and was replaced by another guard. SNP advised this was due to the fact that it is difficult for to re-include someone in the core roster after they have been removed from the roster. It is acknowledged that the core roster is static and is updated on a monthly basis.

DM – Point C – I don't think they grasp the concept that staff, unlike robots, take annual leave and sick leave and that we backfill their roster, hence occurrences where they are rostered and (Surprise surprise) their name does not appear on the sign on sheet, someone else does.

²For two staff, we were unable to validate the data as one guard was in the roster however had not worked during that period and for other staff the guard had worked in a location different to the sign-in/sign-out records that were shared with us.

DM - Footnote 2 – The first person they are referring to is Kerem Akkan, they compared his payslip to the sign on sheet and compared that to the roster. They questioned me as to why he was shown on the roster but did not turn up and was still able to get paid. I responded to say that the roster is a projection, the sign on sheet is the actual time worked and that for the 3 dates they flagged Kerem was on sick leave. I showed them a copy of his sick leave certificate and emails between myself and SNP ops regarding coverage for his sick leave.

The second person they refer to as having worked elsewhere is Spartak Kaladze. They questioned how he could get paid for not working at the University. I explained to them that Spartak is assigned to the University on a full time basis, however, he is cross trained at another job location and is utilised to provide back up for that roster when SNP needs help to cover shifts. I simply backfill Spartak when this occurs.

These two points are of no significance. It is just normal business of managing roster coverage.

NSW ICAC EXHIBIT**KPMG highlighted Section 1.2 as an issue of concern****1.2 Instances were noted where Contract (between the University and SNP) terms and conditions have not been adequately implemented**

On review of the contract terms and conditions between SNP and the University of Sydney, the following instances were identified where requirements have yet to be implemented at the date of fieldwork:

- As per Clause #8 on 'University Materials' under 'Work Order 1- Guarding services', *'all Security officers will be required to sign an individual confidentiality agreement with the University'*. Additionally, as per Clause #6 on 'University Materials' under 'Work Order 4- Electronic Maintenance', *'all technicians will be required to sign an individual confidentiality agreement with the University'*.

However, on discussions with University Security Management, we were advised that the confidentiality agreements had not been signed and management advised that they had initiated this process when this was highlighted by internal audit. It must be noted that security guards and technicians are privy to sensitive information or incidents that take place on the campus, therefore having signed confidentiality agreements in place is important.

DM – I have email evidence that this was not requested and the form not supplied by the University to SNP until 20th June 2016. On that day Morgan Andrews sent me an email asking for our staff to sign a Gallagher Confidentiality agreement. He verbally said that it was something he forgot to ask us to do.

- As per Clause #5 on 'Supplier Personnel' under 'Work Order 1- Guarding services', a General Duties Training module is required to be completed by all potential contracted security officers proposed to be working at the University.

However, on review of training completion records for a sample of 15 staff, we were unable to validate completion of this training for six staff. SNP advised that since some staff had commenced employment with SNP before the General Duties training was formally introduced, their training records were unavailable. However considering this to be essential to staff's daily duties, there is a need for a refresher training to be conducted on a regular basis. Additionally, the presence of untrained staff was also highlighted as a concern by one security guard interviewed on site by internal audit.

DM – I advised KPMG that our rostered security staff are not spokespersons on behalf of SNP and they are not privy to training, an individual's performance or overall contract performance. The security officer they may have spoken to may have been referring to someone on roster they do not like or get along with. Without any evidence this is just a whimsical remark. Of the guards names they asked to see training records for, I was able to produce all training records for new staff from the start of contract (1 September 2015). Staff who commenced pre 2015 are not relevant to this contract they are auditing, however, I was able to show them examples of the old training program which is superseded under the regime of the new contract.

- In addition the above, we also noted 30 staff who had signed-in/out in the attendance book for a period of January to March 2016, however were not in the staff listing. It was noted that all of the 30 staff did have a valid security license. SNP advised that a majority of these staff were on lock-up duty only (guarding an area/room/door) and are not required to undertake the general duties training for security guards. However, this has not been specifically excluded in the contract with the University. For a sample of five out of the 30 staff noted above, we were unable to obtain their General Duties Training completion records even though they had performed security guarding duties for a few days.

DM - I think this is exaggerated. No names supplied. The auditor's version of a security officer is anyone who steps on campus. The University views what role they are employed for on the contract. We have had some instances where a broken door needed a "guard" overnight which is a) outside the scope of the contract and b) not required to be site trained to fulfil. All staff working on the core

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rosters are inducted and trained. They would also have seen on the sign on sheets where we have had guards come on campus to do work for other entities within the Uni (Not part of our contract) such as the University Union (USU), Sports and Aquatic which are separate and reside outside the scope of our contract.

- As per Clause #5 on 'Supplier Personnel' under 'Work Order 1- Guarding services', 'all officers who will be working in the Control Room are required to complete a specific module on using the systems within the control room and the requirements of reporting and managing officers in the field before commencing work in the control room'.

DM- All rostered and back up Control Room Staff are trained in Report Exec and Dispatch by a trainer via online training from the USA. Once someone is trained, a staff member from the University will then provide our guard with an individual access username and password to enable them to use the systems in the control room.

- As per the staff listing shared with us by the University, there are four trained control officers, however, on review of the signin/sign-out records it was noted that in five instances other security guards had performed duties as control room officers. It must be noted that control room is central to monitoring systems and communication across locations and having untrained officers may result in systems not being managed adequately. Allocation of duties by control room officers was also highlighted as a concern by one of the security guards during site interviews.

DM - It was explained to the auditors that there are more than 4 trained control room operators. They were told that all team leaders are trained control room operators and that on each team we have at least 1-2 trained officers as redundancy. This allows us to backfill when someone is on leave and also allows the guards on shift to take turns at working in the control room so someone is not stuck in there for 12 hours.

The comment by a security officer that he or she is concerned about the allocation of duties by the control room operators is irrelevant. If an alarm is triggered, the control room operator is required to dispatch the guards to attend. Some guards don't like to be told what to do or assigned tasks by the control room.

In terms of monitoring systems, our KPI's for the contract are reviewed. To date, guarding has scored 100% each and every month for every KPI since the commencement of the new contract on 1 September 2016. Monitoring and response to incidents or alarms have some specific KPI's around time and attendance. How would we be able to respond within KPI timeframes if we had untrained staff without systems access ?

KPMG highlighted Section 1.3 as a minor issue

1.3 SNP should consider renegotiating the conditions of employment as stated in the EBA

On review of the SNP EBA and the Security Award, it was noted that opportunities exist to update the employment conditions in the EBA in line with Security Industry Award (2010). It is noted that the EBA was signed in 1995 where as the current version of the Security Award was released in 2010. The

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University Management have advised that the SNP EBA is currently under review. As part of this review process, SNP should consider defining the following aspects:

- Applicable allowances;
- Rosters/Display of roster and notice of change of roster;
- Break between successive shifts, As per Clause 21.3 of the Award, *each ordinary time shift must be separated from any subsequent ordinary time shift by a minimum break of not less than eight hours; and*
- Long breaks: Separate long breaks of continuous time off work in each roster cycle, depending on the length of the roster cycle. As per Clause 21.4 (b) of the Award, *regardless of the roster cycle, an employee on a roster cycle must not be required to work more than a total of 48 hours of ordinary time without a long break of at least 48 continuous hours.*

DM – I don't know if the auditors understood that the EBA may be dated 1995 but the pay and shift allowances for the guards are amended each year in line with gazetted changes to the Award. Our planned or scheduled roster complies with the Award and EBA in terms of shift duration and breaks.

Display of roster – the roster is on display at the Uni for all to see.

Notice – change of roster. We rarely change someone's rotation and we plan to give 2-3 weeks notice before changing someone's roster by consulting with the guard involved and the team leaders affected.

Recommendations

1

Working with SNP to address findings and strengthen significant control weaknesses identified during this review

The University of Sydney should discuss and agree actions required by SNP to address the issues identified during this review and ensure adequate controls are put in place by SNP to manage key risks and ongoing compliance with contract and the EBA requirements going forward. For example, controls would need to be strengthened, and actions implemented relating to the following:

- Implementing and complying with the Contract terms and conditions; DM – we comply refer to our KPI's
- Compliance with the Enterprise Agreement in relation to recording hours worked accurately and providing overtime allowance where applicable; DM- we comply – do we have any complaints from our staff at the Uni or from the Union ?
- Providing adequate rest breaks to staff in line with best practice; and DM – I have knocked back some guard's amount of overtime when I am aware of how many hours they have worked or shifts worked.
- Improving integrity of rosters such that they are an accurate reflection of the hours worked by the security guards. DM – its called an invoice. If we don't roster the shift or arrange the coverage, the client is not invoiced. The following processes were shown to the auditors –
 - How we roster ad hoc requests
 - How we report hours worked to the Uni
 - How we action Service Requests in Archibus
 - What happens to hours not worked (ie uncovered shift report)
 - Invoice reconciliation versus rostered hours with the Uni

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2

SNP should review the employment conditions under the current EBA

The University of Sydney should work with SNP in reviewing the conditions of the current EBA (1995) to ensure it is in line with key employment conditions as listed in the 2010 Security Award as outlined in finding 1.3.

The University would have scored our tender submission as a result of analysing our EBA as a compliant industrial instrument.