

Mr Lewis Rangott  
Executive Director Corruption Prevention  
Independent Commission Against Corruption  
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Cc: [swood@icac.nsw.gov.au](mailto:swood@icac.nsw.gov.au)

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Re: Operation Paragon – TfNSW Plan of Action

May 2023

Dear Lewis,

Thank you for your letter of 20 March 2023 which conveyed the Commission's request for Transport for NSW (TfNSW) to supply a plan of action in response to the nine recommendations made in the Commission's investigation known as Operation Paragon.

I also reference subsequent communication between TfNSW and the Commission in which the Commission afforded TfNSW an extension to supply a plan of action by a revised due date of 29 May 2023.

Please find enclosed TfNSW's plan of action, supplied on the template as provided by the Commission.

Although significant work has already been completed in an effort to reduce the risk of corrupt conduct, TfNSW remains committed to ensuring effective measures are put in place and maintained to address the recommendations identified in the Operation Paragon final investigation report.

If you have any questions regarding the TfNSW plan of action please contact Paul Cullen, Director Fraud and Corruption Prevention, on 0411 388 593 or [Paul.Cullen@transport.nsw.gov.au](mailto:Paul.Cullen@transport.nsw.gov.au).

Sincerely,



Tracey Taylor  
A/Deputy Secretary  
Corporate Services

# Transport for NSW plan of action in response to recommendations made in *Investigation into the awarding of Roads and Traffic Authority and Roads and Maritime Services Contracts (Operation Paragon)*

## PART A: TfNSW's response to corruption prevention recommendations

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

### Recommendation 1:

That TfNSW reviews its processes surrounding construction procurement to ensure that planning of minor works:

- is based on a meaningful analysis of need
- properly considers relevant market(s), including the existence of relevant panels of suppliers or prequalification schemes
- is guided by an appropriately detailed procurement strategy, with controls to avoid the splitting of work
- is only conducted in accordance with its delegation framework.

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 TfNSW 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 ICAC's published recommendation.

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## Recommendation 2:

That TfNSW ensures that it has a robust supplier due diligence framework that includes:

- routinely obtaining full ASIC records of new suppliers
- routinely conducting internet searches on new suppliers
- further due diligence checks being conducted on a risk-basis
- due diligence checks being conducted by an individual who is not involved in selecting the supplier.

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 TfNSW 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 ICAC’s published recommendation.

## Recommendation 3:

That TfNSW strengthens its controls surrounding subcontractors and makes any necessary enhancements to ensure that it monitors the role of subcontractors throughout the construction procurement process.

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

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If the action TfNSW 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 ICAC’s published recommendation.

### **Recommendation 4:**

**That TfNSW develops and implements a plan to:**

- **assess the procurement competence of relevant TfNSW employees and contractors who perform procurement activities, making allowance for the fact that different activities may require different competencies, and rectify any competency deficits**
- **adopt mechanisms to ensure that staff with new procurement responsibilities are competent.**

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 TfNSW 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 ICAC’s published recommendation.

**DLM**

## Recommendation 5:

**That TfNSW reviews its governance of procurement information to ensure that accurate and completed records are kept.**

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 TfNSW 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 ICAC’s published recommendation.

## Recommendation 6:

**That TfNSW reviews supervision of staff involved in procurement processes to ensure that managers are alert to, and aware of, red flags of misconduct, and act upon them appropriately.**

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 TfNSW 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 ICAC’s published recommendation.

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## Recommendation 7:

That TfNSW strengthens its governance of change management processes to ensure that the following are addressed:

- potential structural weaknesses that might arise
- the effect of change on supplier markets, including knowledge of potential suppliers
- adequacy of supervisor and management handovers that may be required when accountabilities change (whether these relate to oversight of an individual or a function).

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 TfNSW 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 ICAC’s published recommendation.

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## Recommendation 8:

**That TfNSW reviews its infrastructure programs to ensure that the new policy/framework requirements for construction procurements (regardless of asset value) include an appropriate level of assurance and compliance mechanisms to address the systemic risks identified in this investigation.**

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 TfNSW 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 ICAC’s published recommendation.

## Recommendation 9:

**That TfNSW strengthens its complaints management and contracts management systems to ensure that:**

- **there is clear and easy access for suppliers to report suspected corrupt conduct by TfNSW employees, including their designated TfNSW project and/or contract manager**
- **adequate processes exist to manage allegations of corrupt conduct raised by suppliers.**

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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 TfNSW 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 ICAC’s published recommendation.

## **PART B: The TFNSW’s plan of action**

In this section, please provide details of TfNSW’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 ICAC recognises a single template may not suit every agency or investigation. In view of this, TfNSW is invited to develop a format that is appropriate for the proposed plan of action and subsequent report(s).

The ICAC asks that its corruption prevention representative named in the cover letter is consulted if TfNSW decides to develop its own reporting format. The ICAC corruption prevention representative will advise if the proposed plan or report format has the ICAC’s endorsement.

If TfNSW prefers to adhere to an established format, the following may be used as a guide:

### **Plan of action**

Transport for NSW has implemented an electronic system known as the System for Tracking External Assurance Recommendations (STEAR) to manage recommendations issued by the Independent Commission Against Corruption, as well as recommendations generated by other external agencies and bodies.

STEAR enables the assignment of recommendations to various persons within Transport for NSW and to generate actions associated with those recommendations. STEAR will also enable monitoring and reporting on the implementation status of recommendations.

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## **Recommendation 1:**

**That TfNSW reviews its processes surrounding construction procurement to ensure that planning of minor works:**

- **is based on a meaningful analysis of need**
- **properly considers relevant market(s), including the existence of relevant panels of suppliers or prequalification schemes**
- **is guided by an appropriately detailed procurement strategy, with controls to avoid the splitting of work**
- **is only conducted in accordance with its delegation framework.**

### **TfNSW has:**

- developed and released the Capital Projects Framework that provides the approach for how capital projects across Transport (including minor works) are initiated, developed, delivered and evaluated. It outlines key processes and outputs across the stages of the TfNSW capital project life cycle and describes the roles and responsibilities of the client, delivery partner and enterprise across the life cycle by defining their respective accountabilities and responsibilities.

### **TfNSW will:**

- finalise the Infrastructure Procurement Standard to incorporate a meaningful analysis of the need for projects, where the Capital Projects Framework isn't utilised. This will be part of the development of a detailed 'Procurement Strategy' document for the proposed procurement activity. The 'Standard' will also require the review of relevant supplier markets, including existing panels or suppliers established within TfNSW or at a Whole of Government level. The 'Procurement Strategy' will:
  - collate the items highlighted in the recommendation, and
  - document the scope of work anticipated, so that individuals that are reviewing and approving can determine the full quantum of work and better understand whether there is any likelihood or potential for order splitting.
- The approval of documentation in the Standard will be mandated to be in accordance with the relevant parts of Delegations.

**Lead:** Infrastructure & Place

## **Recommendation 2:**

**That TfNSW ensures that it has a robust supplier due diligence framework that includes:**

- **routinely obtaining full ASIC records of new suppliers**
- **routinely conducting internet searches on new suppliers**
- **further due diligence checks being conducted on a risk-basis**

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- **due diligence checks being conducted by an individual who is not involved in selecting the supplier.**

**TfNSW has:**

- implemented a number of supplier administration actions for all suppliers engaged across Transport, including:
  - Daily Equifax reports.
  - Validation checks are performed to ensure supporting documentation provided by the supplier clearly displays the ABN, business street address, business postal address, purchase order contact details (email, phone), remittance contact details (email) and business bank details for EFT payment.
  - An established process is followed when a change of bank account details is requested
  - Additional controls in place include segregation of duties.
- for goods & services procurement, a number of additional supplier due diligence activities are performed during the sourcing stage of the process:
  - Identification of risk domains and where material risks are identified, subject matter experts and relevant Risk stakeholders are consulted before sourcing proceeds.
  - Seek relevant information from suppliers during the RfX process.
  - Validation checks are performed to ensure both the ABN and name exist in the Australian Business Register (ABR). Company / Director checks are also performed, which may include adverse actions or findings reports; insurance verification; reference checks; financial checks, including formal financial viability assessments (where required) are all completed.
  - Require suppliers to confirm whether or not they have a conflict of interest as part of every tender.
- uplifted goods & services supplier due diligence within the contract management process through the Transport Contract Management Framework (CMF).
  - The CMF and associated Variation Guide requires contract managers to regularly re-assess a contract based on risk, value and complexity changes due to a proposed variation. The risk component of the re-assessment includes supplier risk attributes. Under the CMF, supplier due diligence is required to be undertaken for major variations, including contract extensions.
  - The Contract Management Governance and Assurance Guide provides minimum standards on appropriate levels of governance and supplier relationships, where conflicts of interest and supplier due diligence is a standard agenda item for review and discussion with governing bodies.
  - The requirement to undertake financial viability assessments for all procurement valued over \$5M is currently mandated through the Transport Goods and Services Procurement Standard.
- undertaken regular goods & services procurement audits, along with an operational sourcing assurance program currently being implemented.

**TfNSW will:**

finalise the Infrastructure Procurement Standard to incorporate a standalone supplier due diligence process that will address each of the recommendation's dot points and

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best practices implemented by goods and services procurement, for infrastructure projects. This due diligence will be conducted as part of the tender evaluation process prior to the finalisation of the Tender Evaluation Report to approve the preferred tenderer. It will include nominated subcontractors in the tender process that have a significant role in the project. There will also be additional due diligence checks during the 'manage' phase of the contract on subcontractors that were not included in tender submissions or replaced during the contract period. Training for members of Infrastructure Procurement Teams will be developed on the due diligence process to enable timely conduct of reviews.

- deploy a new version of the goods & services procurement risk navigation tool which will uplift risk scoring and tiering capability across the procurement lifecycle. This will enable a risk-based approach to supplier due diligence. Supplier due diligence questionnaires will be included as part of the new version of the tool, in consultation with specialist risk SMEs for modern slavery, environmental & sustainability, work health & safety, subcontractor risk, operational risk, cybersecurity and privacy. Red flags and issues with supplier responses to the due diligence questionnaires will follow an agreed escalation matrix. These new questionnaires will enhance supplier due diligence during the sourcing process.
- develop and implement a governance and assurance framework which will include regular audits to monitor compliance to the supplier due diligence framework across all procurement activities.
- conduct a review of TfNSW due diligence processes using the ICAC guideline on Due Diligence (2020) as a guide to rectify any gaps identified.

**Lead:** Infrastructure & Place

**Supported by:** Transport Shared Services; and Commercial, Procurement and Transformation

### **Recommendation 3:**

**That TfNSW strengthens its controls surrounding subcontractors and makes any necessary enhancements to ensure that it monitors the role of subcontractors throughout the construction procurement process.**

#### **TfNSW will:**

- undertake a review of the subcontractor approval requirements contained in the TfNSW standard contract templates and strengthen where appropriate to give TfNSW greater oversight.
- review contractor requirements to pass TfNSW obligations for various governance and integrity mechanisms such as the Statement of Business Ethics and conflict of interest declarations and where necessary, include it in the contract documentation.
- conduct assurance activities including testing, monitoring, and reporting of subcontractor management compliance.

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#### **Recommendation 4:**

**That TfNSW develops and implements a plan to:**

- **assess the procurement competence of relevant TfNSW employees and contractors who perform procurement activities, making allowance for the fact that different activities may require different competencies, and rectify any competency deficits**
- **adopt mechanisms to ensure that staff with new procurement responsibilities are competent.**

**TfNSW has:**

- used the procurement competency tool developed by ArcBlue (under a current 'Whole of Government' arrangement) to test the understanding and competency of a select number of its Procurement Services and Construction Pre-Contracts staff as part of the annual self-attestation process for the current two accreditations carried for construction.
- implemented mandatory procurement training requirements including Tender Evaluation Committee training.
- introduced a new Transport Goods and Services Procurement Standard.
- published a Contract Management Framework (CMF) for goods and services, with supporting guides which set minimum standards and best practice guidance for contract managers relating to key activities throughout the contract management phase of the procurement lifecycle. As part of the CMF roll-out, TfNSW has also implemented contract management training modules. The training modules are aimed at uplifting competence of Transport staff who are responsible for managing contracts within the business.
- has established a Procurement Community of Practice and Contract Manager Hub to uplift procurement and contract management competence, and foster collaboration and knowledge sharing across Transport.

**TfNSW will:**

- further develop the competency testing for staff involved in procurement activities based on the Infrastructure Procurement Standard.
- systematically track completion of any procurement training courses, together with refresher training.
- train all new staff affected by the Infrastructure Procurement Standard, including labour hire staff and contractors involved in procurement and/or contract management activities across TfNSW.

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- include education on the types of contracts and the correct KPIs that should be monitored.
- implement a First Line Assurance program for goods and services procurement.
- launch a contract governance and assurance program to further assess standards of contract management practices across Transport and identify improvement opportunities in business processes.

**Lead:** Infrastructure & Place

**Supported by:** Commercial, Procurement and Transformation

### **Recommendation 5:**

**That TfNSW reviews its governance of procurement information to ensure that accurate and completed records are kept.**

**TfNSW has:**

- included an obligation under its goods and services procurement policy framework that requires full records of the procurement process to be retained for record and audit purposes to comply with the *State Records Act 1998* and Transport's Records Management Policy.
- within goods and services procurement policy framework, included a comprehensive list of procurement-related records that must be retained. The Contract Management Framework also includes guidance for records management during the Contract Management lifecycle.

**TfNSW will:**

- use the Infrastructure Procurement Standard to make it clear what information is required to be collected and stored in the various records, procurement and contract management systems currently used by TfNSW.
- train, monitor and conduct audits to ensure the minimum procurement records are created and appropriately retained.
- implement regular auditing of procurement records and records management. An updated audit program will be produced, and audits commenced within 12 months.

**Lead:** Infrastructure & Place

**Supported by:** Commercial, Procurement and Transformation

### **Recommendation 6:**

**That TfNSW reviews supervision of staff involved in procurement processes to ensure that managers are alert to, and aware of, red flags of misconduct, and act upon them appropriately.**

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**TfNSW has:**

- commenced a series of monthly meetings with the procurement leads to discuss potential issues and alert managers to red flags.
- developed a training module on professional ethics for procurement and will conduct a gap analysis on existing training to identify where additional content on procurement red flags can be incorporated.
- introduced a new Transport Goods and Services Procurement Standard that adopts a risk-based procurement strategy where higher risk procurement has greater attention to ensuring that procurement activities are undertaken in compliance with the TfNSW Procurement Standard.

**TfNSW will:**

- establish a working group to develop and implement fit-for-purpose governance and assurance activity across TfNSW.
- assign responsibility to Project Directors to include fraud and corruption risk management in procurement activities including within the agenda of their regular meetings with the project teams and within the quarterly reviews of all risks. These risk reviews are to include both project and operational risks, together with KPI performance evaluation.
- will implement an annual workshop with all Infrastructure Project Directors to maintain awareness on procurement risks, including fraud and corruption.
- implement assurance activities in line with a Consequence Management Framework focusing on non-compliance with operational, strategic sourcing and Purchasing Card obligations under the Transport Goods and Services Procurement Standard and the Infrastructure Procurement Standard. This Consequence Management Framework will incorporate notification to managers of staff who undertake non-compliant procurement activities, where appropriate.
- release regular and proactive communications to managers and staff involved in procurement processes to raise awareness of red flags of misconduct and facilitate managers acting upon these red flags appropriately.

**Lead:** Infrastructure & Place

**Supported by:** People & Culture; and Commercial, Procurement and Transformation

**Recommendation 7:**

**That TfNSW strengthens its governance of change management processes to ensure that the following are addressed:**

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- **potential structural weaknesses that might arise**
- **the effect of change on supplier markets, including knowledge of potential suppliers**
- **adequacy of supervisor and management handovers that may be required when accountabilities change (whether these relate to oversight of an individual or a function).**

**TfNSW has:**

- implemented an enablement approach to facilitate the transition of structural reforms. This approach is facilitated through an enablement steering committee that meets fortnightly to review and increase awareness of the reform/change pipeline. The Transport Shared Services Hub is also a dedicated delivery program area that connects all enablement functions for implementation.
- established a Transformation and Reform Executive Committee to identify and remediate any structural weaknesses across the operating model.
- implemented frameworks and procedures, including Enterprise Transformation and Change Management frameworks, Procurement Standard, Procurement RASCI, Contract Management Framework, Client and Deliver Playbooks, and a Development to Delivery handover procedure.
- developed a formal “Development to Delivery” handover procedure to effectively document the handovers and accountabilities for projects.

**TfNSW will:**

- update its change management procedure (to manage changes to contracts) and roll out training to all staff. The change management procedure will require commercial review of all contract changes.

**Lead:** Commercial, Procurement and Transformation

**Supported by:** Infrastructure & Place, and People & Culture

**Recommendation 8:**

**That TfNSW reviews its infrastructure programs to ensure that the new policy/framework requirements for construction procurements (regardless of asset value) include an appropriate level of assurance and compliance mechanisms to address the systemic risks identified in this investigation.**

**TfNSW has:**

- developed and released the Capital Projects Framework that provides the approach for how capital projects across Transport are initiated, developed, delivered and evaluated. It outlines key processes and outputs across the stages of the TfNSW capital project life cycle and describes the roles and responsibilities of the client,

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delivery partner and enterprise across the life cycle by defining their respective accountabilities and responsibilities.

**TfNSW will:**

- finalise the Infrastructure Procurement Standard to incorporate a meaningful analysis of the need for projects, where the Capital Projects Framework isn't utilised, as part of the development of a detailed Procurement Strategy document for the proposed procurement activity.
  - The Standard will also require the review of relevant supplier markets, including existing panels or suppliers established within TfNSW or at a Whole of Government level.
  - The approval of documentation in the Standard will be mandated to be in accordance with the relevant parts of the Delegations document where applicable and with any approval requirements in the Standard itself where there is no relevant item in the Delegations document.
  - The Procurement Strategy will include the scope of work anticipated so that individuals that are reviewing and approving the document can determine the full quantum of work.
- finalise the Infrastructure Procurement Standard to incorporate a standalone supplier due diligence process. This due diligence will:
  - be conducted as part of the tender evaluation process prior to the finalisation of the Tender Evaluation Report to approve the preferred tenderer.
  - include nominated subcontractors in the tender process that have a significant role in the project.
  - include additional due diligence checks during the 'Manage' phase of the contract on subcontractors that were not included in tender submissions or replaced during the contract period.
- develop training for members of Procurement Teams across the Divisions on the due diligence process to enable timely conduct of due diligence reviews. There will be separation of duties built into the process so that an independent person conducts the due diligence activity.
- establish a working group to develop and implement governance and assurance across TfNSW's high risk areas. This will include establishing a consequence management framework that includes the enforcement, monitoring and identification of non-conformances and trends of potential inappropriate behaviours for reporting and escalation.

**Lead:** Infrastructure & Place

**Recommendation 9:**

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**That TfNSW strengthens its complaints management and contracts management systems to ensure that:**

- **there is clear and easy access for suppliers to report suspected corrupt conduct by TfNSW employees, including their designated TfNSW project and/or contract manager**
- **adequate processes exist to manage allegations of corrupt conduct raised by suppliers.**

**TfNSW has:**

- completed actions (or is currently implementing several actions) to improve information for contractors to make anonymous complaints, or complaints without being in contact with the TfNSW contract lead. This includes updating our Statement of Business Ethics, updating public facing website links to point to our “Speak Up” hotline, and information on making public interest disclosures.
- already a robust policy, procedures and processes for managing allegations of corrupt conduct raised by suppliers against TfNSW employees.

**TfNSW will:**

- undertake an awareness campaign which will target all suppliers across goods and services and infrastructure. This will include targeted suppliers (including contractors and subcontractors) to provide them with the necessary information and help the general supplier community understand how to raise concerns with TfNSW.
- establish a standard internal operating procedure for responding to/managing reports relating to contractors.
- update all current infrastructure tender and contract documents to include a mechanism for tenderers, contractors and other parties to report suspected corrupt conduct by TfNSW employees or any other parties involved in the contract. A reminder of the details to report any suspected corrupt conduct will also be included in unsuccessful letters to tenderers.
- incorporate reference to its misconduct reporting hotline in its procurement pre-contract communications.
- where allegations involve employees of other organisations, TfNSW will develop and embed a process that outlines where and how we will work with those organisations to seek appropriate responses.

**Lead:** Infrastructure & Place

**Supported by:** People & Culture

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