



**CPSU (PSU Group) Submission:**

**Digital delivery of government  
services**

**September 2017**

Inquiry into digital delivery of government services

As the primary union representing Australian Public Service (APS) employees, the Community and Public Sector Union (CPSU) is committed to providing a strong voice for our members in key public policy and political debates.

The CPSU welcomes the opportunity to make a submission to the inquiry into the digital delivery of government services. The CPSU has previously raised concerns about the digital delivery of government services in prior submissions to Government.

**Summary of the CPSU submission**

There are serious problems with the digital delivery of government services, and with government ICT more generally these problems include:

- Governments service standards are not meeting community expectations and are falling behind service delivery in non-government sectors.
- The Government's credibility on innovation and service has been eroded by a series of high profile ICT failures and ongoing service delivery problems for clients
- Poor quality ICT systems are also a major problem for APS staff

There are two primary reasons for these problems, they are:

- Decades of outsourcing and contracting out has left the APS overly reliant on external vendors and contractors – creating critical issues with capability and cost.
- Previous ICT reviews and strategies have been focussed on achieving savings, and opportunities for strategic and architectural reform were missed.

Government's goal should be to provide the community with world class digital services, achieving that goal requires:

- Reducing the reliance on external vendors and contractors
- Rebuilding APS capability
- A long-term commitment from Government with associated funding
- Fostering an APS culture that better supports innovation and digital transformation.

### ***The community know what they want from government digital service delivery***

There is a strong and growing demand for on-line government services. In any four-week period more than 1 in 8 Australians, around 2.5 million people, will seek to access government information and public services on-line<sup>1</sup>. Small business owners are the most likely to have accessed a government website in the four-week period, followed by job seekers, parents and workers.<sup>2</sup>

The millions of Australian citizens that use these digital services have a clear idea about what they want from their online experience. A 2017 study by the Australian Information Industry Association (AIIA)<sup>3</sup> found that Australians see four main benefits to improving digital services:

- Improving accuracy and quality
- Providing personalised services that make it faster and convenient to deal with government
- Making proof of identify easier
- The ability to do their business with government online using whatever device they want, when it suits them.

These community expectations are not news to government. Numerous reports, reviews and consultations have left governments in no doubt that people need government services to be widely available, easy to access, simple to use, and with a choice of channels.

### ***But government is not meeting the community's expectations***

There is substantial evidence of community dissatisfaction with the government's efforts.

- A Boston Consulting group report found that 55 per cent of users report facing a problem when using online government services<sup>4</sup>.
- The Australian Information Industry Association (AIIA) found that only 16 per cent of Australians think the government is doing a good job of providing digital services.<sup>5</sup>

It should be clear to government that community expectations are shaped by the communities broader digital experiences. As far back as 2008, the Gershon Report recognised that citizens expect government services to be as good as those provided by the private sector.<sup>6</sup> However a significant portion of users rate government online services as much worse than private sector services.<sup>7</sup>

This quality gap between government and non-government service is widening. According to AIIA, Australians think the organisations best at using technology to deliver services to their customers are:

- Banks and financial institutions (64%)
- Online shopping sites (61%)
- Travel information and booking sites (48%)
- Telecommunications providers (39%)
- Entertainment sites (39%)

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<sup>1</sup> <http://www.roymorgan.com/findings/6327-going-online-for-government-information-or-services-march-2015-201507070247>

<sup>2</sup> <http://www.roymorgan.com/findings/6327-going-online-for-government-information-or-services-march-2015-201507070247>

<sup>3</sup> AIIA Technology and Government Study 2017

<sup>4</sup> Boston Consulting Group, 2014, 2014 Digital Government Survey – Australia Fact-base

<sup>5</sup> AIIA Technology and Government Study 2017

<sup>6</sup> Deloitte Touche Tohmatsu (2007), 'One size fits few: Using customer insight to transform government', [http://www.deloitte.com/dtt/cda/doc/content/dtt\\_ps\\_onesizefitsfew\\_040908\(1\).pdf](http://www.deloitte.com/dtt/cda/doc/content/dtt_ps_onesizefitsfew_040908(1).pdf)

<sup>7</sup> Boston Consulting Group Digital Government turning Rhetoric into reality

## Inquiry into digital delivery of government services

- Gas and electricity utilities (28%)<sup>8</sup>.

However, Australians rated the Commonwealth Government (19%) and the State Government (15%) the lowest for using technology to deliver services. This clearly shows us that the government is not meeting the community's expectations of digital services.

### ***Service delivery problems erode the public's trust in government***

This failure to meet the community's digital expectations occurs in an environment where traditional service delivery channels, face to face and telephone, are also under enormous pressure.

Decades of public sector cuts have left the APS understaffed and under resourced.

- Since 2013 this Government has made \$7.6 billion worth of cuts, costing more than 18,000 jobs.
- Staffing levels are set to be their lowest in a decade with core public sector staffing in 2016-17 projected to be lower than 2006-07 staffing levels<sup>9</sup>
- The continuation of the Efficiency Dividend and other budget cuts in the 2017 Federal Budget has further increased budgetary pressure on the APS.

These cuts to our public services have resulted in the Australian public having low expectations of government digital services and expectations of long wait times and low service standards. This has affected clients of the Department of Human Service (DHS) in particular.

In the past few years we have seen multiple high-profile ICT failures such as, the 2016 Census, ATO outages, and MyGov problems. These failures in conjunction with service delivery issues, the pressure on face to face and telephone services, and government digital services not keeping up with the standards of non-government services have resulted in serious damage to the public's trust in the governments capacity to deliver essential government services.

### ***ICT is also a major problem for APS staff***

APS staff care deeply about their clients and the quality of their work. The problems clients face with ICT failures and ongoing service delivery issues therefore have adverse impacts on staff.

CPSU members in many agencies report that the ICT systems and applications they use are a substantial barrier to getting their work done efficiently and accurately. There are a number of aspects to this:

Firstly, many APS staff are using old and out-dated equipment and platforms:

- 44 per cent of all the government's major applications are over a decade old.
- 53 per cent of the government's desktops and laptops are past the end of their planned useful life<sup>10</sup>.

Secondly, inadequate access to IT support is a major problem. Many members report that outsourced IT service arrangements have substantial limitations on the range and timeliness of IT support. In addition, members report pressure from managers not to request IT support, changes and fixes because of concerns about the cost and budget implications.

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<sup>8</sup> AIIA Technology and Government Study 2017

<sup>9</sup> CPSU calculations based on Average Staffing Levels figures from previous Budget Papers.

<sup>10</sup> <http://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>

Inquiry into digital delivery of government services

A lack of consultation, poor planning and management of projects, inadequate provisions for user input to system and application design and functionality, and regular failures to allow for user testing of new products, are also common concerns across the APS.

Underlying these concerns is the widespread view that staff have inadequate access to information, decision making and expertise in an environment where ICT has been heavily outsourced and contractors now comprise around a third of ICT staff.

There are several agencies that the CPSU wishes to bring to the specific attention of this Inquiry. These case studies are at appendix 1.

***Decades of outsourcing and contracting out has left the APS overly reliant on external vendors and contractors – creating critical issues with capability and cost***

The current system of outsourcing and contracting out ICT is costly to Government and agencies and is accompanied by inadequate internal and long-term ICT investment within the APS itself. In 2015-16 the Australian Government spent \$6.2 billion on ICT good and services. Agencies further estimated that they would require some 17,000 contracts for ICT totalling \$9 billion<sup>11</sup>.

The APS is very reliant on external vendors and contractors. Since 2011-12, there has been a significant shift away from permanent APS staff to the use of contractors. The proportion of external ICT FTE grew from 23% to 30%, while the proportion of internal FTE decreased from 77% to 70%.<sup>12</sup> Between 2011-12 and 2015-16, the number of ICT FTE declined from 17,758 to 15,808 or 11.3% to 10.4% of total entities FTE.<sup>13</sup>

As of 2017, the Australian Public Service employs more than 14,000 ICT personnel, a third of which are contractors. The share of external ICT personnel has grown over the past five years and spend on internal ICT personnel has fallen accordingly. This decline in internal capacity has occurred over the same time that the ICT failures in government services have increased. The increasing reliance on contractors and external vendors also has major implications for the capability and cost of APS ICT.

***Capability***

Several reports and reviews over recent years have found that the APS lacks crucial ICT skills.

- The Australian Public Service Commission's State of the Service Report 2012–13 found that 47 per cent of agencies reported having skills shortages in ICT procurement, while 69 per cent of agencies reported having an overall ICT skills shortage.<sup>14</sup>
- The 2015 APS Census also found a clear gap in capability. The majority of survey respondents indicated that they know their agencies need to make greater progress, but feel under-equipped to meet the challenges of digital transformation.<sup>15</sup> While many used digital technologies in the workplace, they felt there was a lack of any formal digital skills training.<sup>16</sup>

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<sup>11</sup> [https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report\\_WCAG.pdf](https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report_WCAG.pdf)

<sup>12</sup> <https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>

<sup>13</sup> <https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>

<sup>14</sup> <https://ict-procurement.digital.gov.au/>

<sup>15</sup> <https://stateoftheservice.apsc.gov.au/2015/10/digital-transformation-in-the-aps/>

<sup>16</sup> <https://stateoftheservice.apsc.gov.au/2015/10/digital-transformation-in-the-aps/>

## Inquiry into digital delivery of government services

More recently the Report of the ICT Procurement Taskforce identified that the capability and capacity issues identified included a lack of technical ICT capability and market nous required to articulate the requirements sought and assess the potential solutions on offer, decision-making resting with individuals without technical expertise and the inability to adapt as technology or circumstances change.<sup>17</sup> Importantly for the purposes of this current Inquiry, the Procurement Taskforce, found that the ICT capability gaps in the Australian Public Service have resulted from an over-reliance on ICT contractors — particularly for more complex, high-value ICT work.

Outsourcing as a driver of deskilling is not a new nor novel finding. The 2008 Gershon Report recommended a reduction in the use of external contractors in favour of building internal APS capacity. More recently the former DTO CEO Paul Shetler has gone on the public record to say that:

*“Over the last 40 years, as we’ve outsourced technology, there’s been a progressive deskilling of the public service. The reliance on consultants is remarkable and the amount spent on them is eye watering. That’s just not necessary if we re-skill the public service...”*

The over reliance on external advice carries substantial risks for agencies. Paul Shetler noted that *“Too frequently, we actually ask vendors to tell us what they think we should buy.”* It is a point that rings true from the 2016 Census failures, where it seems clear that the ABS did not have the expertise to assess the quality or suitability of the advice and products from their external supplier.

And with a third of the ICT workforce now contractors this is denying APS staff access to develop their own skills. Crucially the ICT Procurement Taskforce has determined that this over reliance on contractors is unsustainable for reason of the ongoing skills erosion in the APS and for cost.

### ***The increased costs of contractors.***

In 2008, a report into the ‘Government’s Use of Information and Communication Technology’ (Gershon Report) was commissioned by the Commonwealth Government. The Report found that outsourcing has cost the Commonwealth Government significantly. A key finding was that the extensive use of ICT contract staff had been significantly more expensive than engaging in-house employees. At that time, an ICT contractor cost an agency \$186,000 per annum, \$94,000 more than the average *Financial Management and Accountability Act* (FMA Act) agency ICT employee.<sup>18</sup>

The 2017 Report of the ICT Procurement Taskforce has found that contractors continue to cost substantially more than APS employees, putting the updated figures at an average annual cost of an internal ICT employee of around \$132,000 while the cost of a contractor is around \$214,035.

CPSU calculates that the approximately 4,700 ICT contractors engaged is costing in the order of \$385m more per annum, than if those contractors were engaged as APS employees.

The increased cost of contractors is not limited to ICT employees. Defence Department contractors can cost between 15 and 30 per cent more than APS employees.<sup>19</sup> There is no guarantee that the use

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<sup>17</sup> <https://ict-procurement.digital.gov.au/>

<sup>18</sup> Sir Peter Gershon CBE FREng, Review of the Australian Government's Use of Information and Communication Technology, Department of Finance and Deregulation, <http://www.finance.gov.au/publications/ICT-Review/chapter3.html>, August 2008, p.48-49

<sup>19</sup> Sir Peter Gershon CBE FREng, Review of the Australian Government's Use of Information and Communication Technology, Department of Finance and Deregulation, <http://www.finance.gov.au/publications/ICT-Review/chapter3.html>, August 2008, p.59

Inquiry into digital delivery of government services

of contractors will result in a better outcome or that there will be the same level of accountability. An ANAO audit report found that while contractors were treated similarly to APS employees, for the majority of engagements, “there was generally little formal assessment of how the contractor met the contractual terms.”<sup>20</sup>

The cost of staff is only a small part of the government spend on ICT. The ICT Procurement Taskforce reports that in 2015-16 the Australian Government will spend \$6.2 billion on ICT good and services. Agencies report a further anticipated ICT spend of \$9 billion, via some 17,000 contracts.

Based on these figures it would seem unlikely that the digital service delivery problems are the result inadequate expenditure.

A very small number of the government’s 17,000 ICT procurements drive most of the government’s ICT commitments. In 2015–16, less than 200 ICT procurements (1 per cent) were worth \$5 million or more, but these procurements were responsible for \$4.7 billion (52 per cent) of the government’s \$9 billion of ICT commitments, with an average value of \$25 million each. The remaining procurements had an average value of \$0.25 million each, but collectively were worth 48 per cent of the government’s \$9 billion ICT commitment.<sup>21</sup>

A small number of large government agencies are responsible for the vast majority of ICT goods and services purchases. Of the 106 government agencies that record their ICT procurements on AusTender, 10 agencies accounted for more than 86 per cent of the \$9 billion committed in 2015–16. The remaining 14 per cent were spread across the other 96 agencies.<sup>22</sup>

The largest spend is on services, which accounted for 52 per cent of ICT procurements in 2015–16. The biggest categories of ICT services procured were system integration services (20 per cent), external ICT labour hire (15 per cent) and managed IT services (10 per cent)<sup>23</sup>. CPSU believes that some proportion of this labour hire expenditure is driven by government and agency preferences to reduce APS staff numbers and replace them with labour hire.

CPSU believes that savings can be made through reducing the numbers contractors and increasing the number of APS employees. However, this savings potential comes with important caveats, and the experience around the Gershon Review is instructive in this regard.

The Gershon review had a heavy emphasis on savings. One of the key recommendations was to reduce the total number of ICT contractors across the APS by 50 per cent over the next two years and increase the number of APS ICT staff<sup>24</sup>.

Some two years later The *Independent Review of Implementation of the ICT Reform Program* (Reinecke Review’) released in June 2010, identified that the Gershon initiatives would have resulted in savings on ICT budgets totalling \$1 billion over four years<sup>25</sup>.

However, the \$447.5 million in funding quarantined to implement the Gershon recommendations were reclaimed prior to the implementation of the initiatives that would generate the savings<sup>26</sup>, and the full potential savings were not realised.

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20 Department of Defence, The Strategic Reform Program 2009 – Delivering Force 2030, p.19, <http://www.defence.gov.au/publications/reformbooklet.pdf>, 2009

21 [https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report\\_WCAG.pdf](https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report_WCAG.pdf)

22 [https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report\\_WCAG.pdf](https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report_WCAG.pdf)

23 [https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report\\_WCAG.pdf](https://ict-procurement.digital.gov.au/assets/documents/ICT-procurement-taskforce-report_WCAG.pdf)

24 Sir Peter Gershon CBE FREng, Review of the Australian Government's Use of Information and Communication Technology, Department of Finance and Deregulation, <http://www.finance.gov.au/publications/ICT-Review/chapter3.html>, August 2008, p.3-4

25 Dr Ian Reinecke, Independent Review of Implementation of the ICT Reform Program, June 2010, p.v

## Inquiry into digital delivery of government services

CPSU has significant concerns about the tendency of Government and agencies to reap savings upfront, before they have been realised, or, even worse, to return to revenue savings earmarked for reinvestment. Such behaviours, which are counterproductive and have major implications for service delivery, staffing numbers and workloads, have been a frequent feature on many change programs, from shared services initiatives to contestability programs.

CPSU therefore does not support digital transformation that is focused on the pursuit of a 'digital dividend', or savings generated, rather than improving services. CPSU believes that there is potential to find savings, and then reinvest them in the crucial task of rebuilding APS ICT capacity, and that over time this increased in-house capacity will deliver both greatly improved service standards and the prospect of further savings. The tendency of all governments to realise savings ahead of service delivery and ICT changes being imbedded is a key barrier to the achieving effective digital delivery of government services.

### ***Further Issues with Outsourcing***

Rather than more efficiency and lower costs as supporters of privatisation argue, the impact of outsourcing in many stances has been increased costs that are ultimately borne by the public. In 2010, the Australian Taxation Office revealed that its five-year desktop services contract with Lockheed Martin was 25 per cent higher than it had initially estimated.<sup>27</sup>

There can be significant hidden transaction costs associated with managing contracts as opposed to directly providing the services. Hidden costs include:

- Administration of the tenders;
- Post tender contractual variations; and
- Risks remaining with agency and the taxpayer.

Public services provided to non-paying 'customers' also operate in markets that are different to those with paying customers. Any competition is largely confined to tenders and re-negotiation with contract managers.<sup>28</sup> The United Kingdom's National Audit Office has highlighted that it can be difficult to maintain competitive pressure through the different stages of a contract. Complex contracts can diminish competition when the contract begins and expensive variations can reduce cost-effectiveness. The National Audit Office noted that existing providers may also have an in-built advantage when contracts are up for renewal because they are seen as a safer and easier option.<sup>29</sup>

Further, outsourcing has also been found to enable price gouging. The inability to specify every aspect of a service in advance for multi-year contracts leads to contracts that allow for future adjustments with fees. As the need for these adjustments arises, the government purchaser may be at some negotiating disadvantage should the contractor demand an unreasonable price for a necessary variation, particularly if the cost of contract termination is excessive. In this way, the cost of a service can significantly rise over the life of a contract.<sup>30</sup> For example, Serco in Western Australia

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26 Election Commitment Costings, Federal Election 2010 - "Remove Funding Quarantined under the Gershon Reforms for ICT Spending across Government", 2 August 2010, <http://electioncostings.gov.au/2010/08/02/gov23-remove-funding-quarantined-under-the-gershon-reforms-for-ict-spending-across-government/>

27 Australian National Audit Office, Non-APS Workers, <http://www.anao.gov.au/Publications/Audit-Reports/2006-2007/Non-APS-Workers/Audit-brochure>, 25 June 2007

28 Cook, B., Quirk, V., and Mitchell, W.. (2012). The Impact on Community Services of Staff and Service Reductions, Privatisation, and Outsourcing of Public Services in Australian States. *Centre of Full Employment and Equity*. University of Newcastle. p.143-144

29 Daley J. (2012 June). Game-changers : Economic reform priorities for Australia. *Grattan Institute*. Melbourne. p.22.

30 Cook, B., Quirk, V., and Mitchell, W.. (2012). The Impact on Community Services of Staff and Service Reductions, Privatisation, and Outsourcing of Public Services in Australian States. *Centre of Full Employment and Equity*. University of Newcastle. p.147

Inquiry into digital delivery of government services

has been accused of massive price gouging on prison transport services, charging \$518,490 for 170 additional services over and above its set baseline monthly fee.<sup>31</sup>

Another key argument used to support privatisation and outsourcing is that private sector competition drives efficiency and innovation. However, it can also lead to a situation where the provision of services becomes dominated by a few established private firms, creating an oligopoly. Indeed, commentators have noted that ‘Australia is a relatively small market, distant from other developed economies. Entering the Australian market is usually a relatively low priority for efficient international players. There is often only room for a few players with minimum efficient scale.’<sup>32</sup>

In the context of innovation and digital transformation there are strong emerging design methodology arguments for retaining or returning core functions in-house. The former head of the Digital Transformation Office, Paul Shelter, argues that:

*“You don’t build digital services in the same way that you build bridges. How can you test with users, deliver a lean solution quickly, and iterate with what you learn, if you are forced to specify all your requirements upfront? When you’re locked in a big IT contract, changing what you’re building comes at a huge expense — in both cost and time.”*<sup>33</sup>

Mr Shetler further argues that *“Core business should be in-sourced, dealing with your end users and understanding your end users is your core business.”*<sup>34</sup>

A similar a view was also previously expressed by Malcolm Turnbull before becoming Prime Minister. He said that he did not want the public service further eroded by consultants, and expressed concerns that too much outsourcing was turning Departments into *“mailboxes for sending out tenders and then receiving reports and paying for them”*. *“What we have to do in government”* he said *“is stop panning public servants and do more to ensure that they do their job better. And one of the ways to do that is to make sure they do the work that is their core responsibility, as opposed to outsourcing everything”*.

It is a sentiment that the CPSU supports.

***What should be done to improve ICT and digital service delivery.***

There is substantial expert opinion that the rebuilding APS ICT capacity is a priority.

Paul Shetler argues that *“Government’s biggest challenge in the digital age is to completely upskill the public service so that it is well equipped to deliver the change that’s needed”*, while the ICT Procurement Taskforce found that the skills gaps resulting from the over-reliance on contractors is unsustainable going forward. The ICT Procurement Taskforce also found that the government lacks a comprehensive strategy for addressing these capability gaps.”<sup>35</sup>

CPSU submits that the elements of a successful strategy to rebuild APS ICT capacity would include:

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31 AAP (2014, January 9). Rapist’s escape from WA prison blamed on prison van security. *The Guardian*.

<http://www.theguardian.com/world/2014/jan/09/rapists-escape-from-wa-prison-blamed-on-prison-van-security>

32 J. Daley, Game-changers : Economic reform priorities for Australia, *Grattan Institute*, June 2012, pp.22

33 <https://stateoftheservice.apsc.gov.au/2015/10/digital-transformation-in-the-aps/>

34 <http://www.themandarin.com.au/82114-shetler-forget-high-tech-fantasies-cant-answer-phones/>

35 ICT Procurement Taskforce

Inquiry into digital delivery of government services

- Setting an express and specific goal to reduce the reliance on contractors and external vendors.
- Placing a cap on agency expenditure on consultants and contractors, and reinvesting the savings to build APS staff and internal capacity

Although this submission has focused on the deskilling caused by contracting out and outsourcing, there are also other factors at play that can be addressed:

- A lack of a digital profession: we don't have a taxonomy of roles and as a result, we haven't developed nor delivered the training required to support professionals to assume these roles
- A lack of digital training: only 15% of APS employees report having any digital skills training, even when digital skills are defined broadly to include writing for the web and social media engagement.
- A misunderstanding of digital, which is not only about ICT or websites but about business transformation.
- There is little appreciation of the timing and frequency of change in response to our understanding of user needs, where we modify the product in real time, rather than delivering changes every six months.
- High attrition rates among ICT staff.
- A perceived absence of future career opportunities, and low remuneration relative to the private sector

CPSU notes that the Gershon Review recommended a whole-of-government Australian Public Service ICT career structure, including training and development programs for ICT professionals in key skills areas. The CPSU also notes that the federal government will have IT apprenticeships, cadetships and graduate jobs in 2018, run by the DTA for the first time.<sup>36</sup> This is a welcome start but the focus needs to be expanded.

Consideration should also be given to adopting some of the successful approaches of the UK civil service, which has just trained up 5000 frontline customer service staff in new digital skills.<sup>37</sup> Those approaches could also include:

- Creating an expert-in-residence programme to engage private sector experts on secondment. The Coalition promised a similar plan prior to the 2016 Federal Election, but never acted on it.
- Establishing a Digital Academy, modelled on the UK's Academy, to offer intensive in-person training for SES officers and online learning modules for all APS staff.
- Creating an internal accreditation system, so that digital skills can be recognised across the APS.
- Providing the necessary commercial training in negotiation skills, contract design and management including re-negotiation of contracts as required, so that the APS takes over the role of the integrator - from waterfall to agile

Hand in hand with reducing the reliance on externals and rebuilding APS staffing and skills must be a clear statement from Government, and APS leaders, that the purpose of digital delivery is to provide

<sup>36</sup> <http://www.themandarin.com.au/81920-digital-transformation-agency-embarks-geek-recruitment-drive/>

<sup>37</sup> <http://www.themandarin.com.au/82114-shetler-forget-high-tech-fantasies-cant-answer-phones/>

Inquiry into digital delivery of government services

the Australian community with world class services that match the best of the non-government sectors. Those statements must be backed up with long term commitment and funding. There has been a tendency for Governments and APS to make big 'announceables', rather than a long-standing commitment to transform government's digital service delivery.

One avenue for delivering a clear statement would be to amend the single outcome set for the DTA in its Portfolio Budget Statement. The outcome is currently set as:

*"To improve the user experience for all Australians accessing government information and services by leading the design, development and continual enhancement of whole or government service delivery policies and standards, platforms and joined-up services"<sup>38</sup>.*

CPSU submits that this outcome can and should be more ambitious, and expressly commit government to world class standards.

Delivering world class services also means focusing on the user need.<sup>39</sup> Digital transformation cannot just be shifting people from face to face to online services to reduce costs. It needs to focus on those who use the service and working with them and staff. There needs to be the ability to learn from service delivery and iterate to improve. CPSU also argues that community choice of service delivery channel must be mandatory. Ensuring that Government and agencies maintain the option of face-to-face and other delivery channels is vital. Not all members of the community will want to, or be equipped to, access government services digitally. Low levels of digital literacy are often more prevalent amongst the people in our community with the greatest need for government support. This needs to be a key consideration in both designing government services and supporting the vulnerable in our communities. To give people a choice in how they engage with government services, it is essential that physical offices are maintained. Maintaining a regional network will also be a key concern to maintain direct engagement with people using government services, but to also practically support those who need assistance when they do want to access online services.

Experimenting with new technological advances is important but must not come at the expense of basic service delivery.<sup>40</sup> Former DTO head Paul Shelter recently pointed out that reducing call waiting times was one of the first things achieved by the highly regarded ServiceNSW as part of its successful efforts to improve service delivery through digital transformation.<sup>41</sup> Such an outcome should be a highest priority in DHS where 42 million missed calls and unacceptable wait times are distressing for clients and staff.

The APS should also seek to involve and utilise staff and the wider community in the development and delivery of public services. Employees are uniquely placed to provide input into how public services can be improved and ameliorate risk when addressing the complex issues we face. Properly involving and utilising the capacity and experience of the APS workforce will result in better designed services.

Consideration also needs to be given to what changes should be made to public service culture.

A key focus should be fostering an agency and government culture which supports innovation and is willing to take risks. There needs to be a more effective risk framework, which recognises that digital

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<sup>38</sup> [www.dpmc.gov.au/resource-centre/pmc/portfolio-budget-statement-2016-2017](http://www.dpmc.gov.au/resource-centre/pmc/portfolio-budget-statement-2016-2017)

<sup>39</sup> <http://www.themandarin.com.au/82114-shetler-forget-high-tech-fantasies-cant-answer-phones/>

<sup>40</sup> <http://www.themandarin.com.au/82114-shetler-forget-high-tech-fantasies-cant-answer-phones/>

<sup>41</sup> <http://www.themandarin.com.au/82114-shetler-forget-high-tech-fantasies-cant-answer-phones/>

Inquiry into digital delivery of government services

transformation and innovation requires space for adaption and innovation, but ensures the important services the Australian community rely on are not compromised.

CPSU members are very clear that better leadership and buy in from Government and senior APS leaders is required. Practical steps to achieve that could be involvement of Secretaries Board and use of the Deputy Secretary's Working Groups.

Finally, CPSU notes that there is a real risk that the transformation of digital service delivery could be derailed because of community concerns about privacy and digital rights. The widespread and deep community concern with the ABS collecting and storing names in the 2016 census is an example of the issues that will arise if privacy and digital rights are not properly dealt with at the start of processes. Such community engagement and consultation takes planning, time and funding.

End.

## APPENDIX – APS ICT CASE STUDIES

### ***Australian Tax Office***

There have been well publicised and ongoing problems with the ATO's information and communication technology over the past two years.

In December 2016 and in February 2017, ATO's Storage Area Networks (SAN) failed. This SAN failure resulted in a systems outage, causing the majority of the ATO's online services to become unavailable, with significant disruption to clients and adverse impacts for ATO staff.

The Commissioner of Taxation has acknowledged that these issues have eroded public trust in the ATO.<sup>42</sup>

What is less apparent to the public is that ATO ICT is largely outsourced. Hewlett Packard Enterprises owns and operates computing infrastructure in the ATO. ATO staff have no direct access to the SAN technology operated by HPE.<sup>43</sup>

The ATO report into the SAN outage notes that HPE were aware of the problems that lead to the December outage. The report also notes the complexity of the ATO ICT environment where key infrastructure is owned and operated by a third party, and where there are substantial numbers of contractors involved, in addition to the ATO staff. CPSU's reading of that report is that ATO was not made fully aware about the significance of these issues, and that complexity of the IT environment presented major challenges in responding to the outage and keeping clients adequately informed of developments.

CPSU submits that this major ICT failure should not be understood as an equipment failure, but as an example of the complex and critical issues that arise from a circumstance where the ATO has effectively outsourced most of its operation, and in doing so has moved accountability for critical infrastructure to external vendors, and exposed the limits of the ATO's ability to successfully manage vendor failure. We further submit that the ATO reliance on external vendors and contractors be subject to critical review.

### ***Department of Human Services***

In 2016, a CPSU survey of members in the Department of Human Services revealed serious concerns with the Department's outsourced ICT. A common theme was that outsourcing had led to regular errors and delays, disrupting work and affecting productivity:

*"The outsourcing of computer software development in DHS has meant exceptionally inefficient and unstable computer systems in the past several years and it continues to have a significant impact on productivity."*

*"IT services to DHS have become increasingly inefficient in the past few years. Technology failures are a frequent source of disruption (and frustration) for service officers trying to provide a service to the public. It is time consuming and wasteful to try and get IT problems*

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<sup>42</sup> <https://www.ato.gov.au/Media-centre/Speeches/Commissioner/Commissioner-s-address-to-the-National-Press-Club/>

<sup>43</sup> <https://www.ato.gov.au/About-ATO/Access,-accountability-and-reporting/In-detail/ATO-systems-report/>

Inquiry into digital delivery of government services

*solved (e.g. difficulty in contacting). Staff send off repetitive requests to get problems solved.”*

*“Contractors are unaware of the impact that a small error or delay within their work affects a welfare recipient. We are told to persevere until IT fixes these issues however this then significantly delays customers’ payments placing vulnerable customers at severe risk and immense hardship.”*

*“Products such as the computer systems that are used by DHS staff who serve customers have been released against testing advice because of the push by management to use a product 'off the shelf'. This has, and continues to, cause delays in processing claims, frustration by customers leading to customer aggression to staff and continuous maintenance in fixing the bugs. The products needed to be correctly analysed in the first place by experienced staff, not contractors, with more successful testing as well as acceptance by management that the product was not fit for use and that its release to the Network should be delayed. Because contractors were the majority of staff implementing this change, confidence in the testing process could not be guaranteed but the product was released anyway. Without experienced DHS staff involved in this product testing, inefficiencies have occurred and more money, time and bad publicity has been the result.”*

One member provided an example of how in-sourcing work led to an improvement:

*IBM used to build and support middleware components for Medicare online: Since IBM handed these components to DHS, we can now see that DHS' implementation of Centrelink middleware is far superior with far more automation and controls in place. It is evident that IBM built the systems with as little effort as possible and did not apply any automation, presumably so that they could charge DHS extra time to perform simple tasks (several hours for an application deployment under IBM, but only a matter of minutes with the DHS in-house automated capability).*

Many members spoke about persistent and prolonged IT issues which impacts upon customers' capacity to use online services and DHS staff's capacity to complete work in a timely and efficient manner.

*“WLM (workload manager) is a failure. The system crashes and is down more often than it works. Phone systems - calls cutting out, phone systems down. Every day, there are reports of system failures from Operational Blueprint to accessing scanned images. The continued failure of our IT systems has made us inefficient.”*

*“Systems not built to cope with the work we do, systems not designed to be user friendly from a customer end, systems that continually fail or crash, links to blueprints that don't work, links to other "help" tools that also do not work, MyGov failures, the list is honestly endless.”*

*“The whole DHS system is falling apart. Our tools fail on a regular basis, we use “internet based” phone systems, so calls to customers are hard to hear, cutting in and out all the time. They are forcing so many things to be done online or over the phone, and people like the elderly and disabled struggle with this. “*

*“DHS seems to have removed the IT assistance function to some degree, we no longer have access to IT assistance apart from online enquiries. Any online requests for help are not*

Inquiry into digital delivery of government services

*responded to. We have failing computer systems, customer data is being lost/deleted due to system malfunctions. DHS does not provide any communication to staff in relation the IT issues that are constantly raised. This makes it even more difficult to manage customer expectations and puts more pressure on staff. DHS fails to address the multitude of IT problems that exist. Staff are frustrated and morale is very low."*

*"Systems are old, not built for current capacity required to sustain customer online interactions."*

*"It never works, the systems do not speak with each other, the computers keep crashing and all DHS is worried about is their new system to answer calls, that throws you in and out of modes all day mucking up any possibility of getting work done"*

The rollout of the Online Compliance Initiative (OCI) program, better known as the 'robo-debt program', placed a massive strain on these already over stretched ICT systems.

There are three fundamental failures built in to the OCI. Firstly, the human oversight involved in assessing discrepancies and raising debts has been limited. A second and related flaw is that the administrative cost of managing overpayments has been transferred from the Department to ordinary Australians, with the Department no longer taking responsibility for contacting employers to investigate discrepancies before debts are raised. The business process has been designed to minimise cost to the government by reducing the usual manual oversight requirements and removing employer verification of PAYG anomalies prior to customer contact commencing. The business process design has all but ensured high rates of error in the calculation of debt. Staff have been directed not to fix errors they could clearly identify. Instead they have been instructed to refer customers to online self-service portals in an attempt to transfer the administrative burden of debt recovery onto the customer.

Thirdly, the onus of proof has in effect been reversed, with customers now obliged to investigate alleged discrepancies and provide evidence that an overpayment doesn't exist – rather than the burden being on government to show that it does.

The impact of the robodebt program on DHS clients, staff and resources has been well publicised. CPSU has previously provided detailed evidence to the Parliamentary Inquiry that:

- The Department did not provide staff with adequate ICT support, and lacked the ICT capacity to deal with the demand from the rollout of the OCI program.
- The fundamental design and roll out of the program were deeply flawed, and that these flaws were foreseeable.
- The decision to introduce an automated debt recovery scheme was driven by budgetary pressures and done without the consultation with staff, despite widespread awareness that the computer systems are problematic.

These comments by CPSU members convey the anger and distress caused to staff by robodebt:

*"Automated debt services are a business tragedy. If you automate a service that uses outdated and dysfunctional computer software you can't possibly expect anything less than substantial errors. The software used by all DHS departments is out of date and desperately needs to be updated with a more intelligent system. If the system is not intelligent enough to calculate, determine, find and correct debts that are incorrect then a decision to implement an automated debt collection service is a decision that will always result in failure."*

Inquiry into digital delivery of government services

*"It was obvious at the briefing when OCI had just commenced that the process had basic flaws which meant nearly all debts would be wrong. There was an audible gasp from the room when we first heard of the averaging concept. It was obvious some would be wrong by a few dollars some were not debts at all. The group of staff I was in clearly knew this would not work. Management minimised this concern and moved forward. I suspect they knew but had no control over things happening in Canberra."*

*"This was always going to happen. I knew this as I used to be one of the human beings that used the data matching information they now have the system calculating automatically."*

*"The OCI program was rolled out without my team in Compliance ever having had the chance to look at it or understand the details - had we been consulted, we could have pointed out many problems (some of which have been addressed in later updates, months down the track)."*

*"Once again, the systems are implemented for "live testing" by staff. We make it work because we have to ensure the customers continue to receive their correct entitlement, or any entitlement, within a timely manner. Systems are constantly "tweaked" as staff feedback problems and issues. The majority of staff genuinely care about the customers and are appalled at the pushing through of changes without real consideration of the impact on both customers and staff."*

The robodebt debacle highlights the thorough staff involvement in system and program design.

**Australian Bureau of Statistics**

Early in 2015, it emerged the ABS and the Government were considering discarding the 2016 Census altogether. Members reported that this was to fund an urgent "transformation programme" that needed to occur to upgrade ageing ICT systems and processes. The ABS needed this funding for 'critically urgent upgrades to [ABS] ICT systems' in advance of the Budget because the 'current ICT infrastructure is highly vulnerable to failure and error... the ability of ICT staff to maintain the existing systems is becoming increasingly compromised'.<sup>44</sup>

The ABS planned to replace the Census with a large population survey conducted every ten years. Members reported that the plans to move to a large population survey were effectively forced on the ABS because it was in such a dire financial position.

After a public outcry the Census was retained, however, it received reduced funding and the members report the ABS only received half of the money they needed for the ICT transformation programme. While the 2011 Census cost approximately \$440 million,<sup>45</sup> no figure has been forthcoming for the cost of 2016 Census but savings of more \$100 million have been projected from the move to an e-census. The ABS expected a doubling of the number of people to complete their Census forms online to 65% or 16 million<sup>46</sup>. The financial pressures and the need to generate savings affected Census work.

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<sup>44</sup> Hockey, J. and O'Dwyer, K. (2015, 7 May). New Investment to Modernise the ABS (Media Release). Retrieved from: <http://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=Id%3A%22media%2Fpressrel%2F3815943%22>

<sup>45</sup> Australian Bureau of Statistics (2011, February 11). *2011 Census Fact Sheet: General*. Retrieved from <http://www.abs.gov.au/websitedbs/D3310114.nsf/home/2011+Census+Fact+Sheet:+General>

<sup>46</sup> Bajkowski, J. (2015, 27 August). Census shake-up saves more than \$100 million. *GovernmentNews*. Retrieved from <http://www.governmentnews.com.au/2015/08/census-shake-up-saves-more-than-100-million/>

### Inquiry into digital delivery of government services

In the wake of the 2016 Census debacle, the CPSU surveyed members which found ABS employees felt the impact of budget cuts over the preceding twelve months. An overwhelming number of members raised concerns about inadequate resourcing for ICT. 83% said there had been ICT and tech issues. Comments included that:

*The IT problems at ABS are crippling. We experience constant and ongoing technical problems with all our systems, both those externally and internally facing. This severely affects our ability to do our work in a timely way and with high quality. There is also a severe lack of training for all staff, both permanent and contract.*

*In the support of existing systems, we're told that we are not allowed to fix anything that is not an emergency and/or prioritized as critical. (At the same time we're told we should be innovating!) There are sometimes insufficient resources for multiple people to be able to take on each others' support roles, and client areas have insufficient resources to test system changes in a timely manner.*

Members also thought that better ICT would make a significant difference. A lack of internal capacity and skills were highlighted which should be addressed. Comments focused on ICT included that:

*The ABS is drastically under skilled in the areas of modern web based ICT and public relations. Given this, they sought outside advice, which turned out to be insufficient but still seems like the right call. Increasing skills across these areas should be a priority.*

*Better external specialist IT support. Anyone even peripherally involved in ICT would say that there should have been multiple back up sites available - clearly if the Census had one it should have had more. The attacks were basically going to happen, it's such a big event it's just a no brainer. They needed better contingency plans, for this and probably for other areas we haven't seen from outside.*

Addressing these funding and ICT skills will help ensure that there will not be a repeat of what occurred and assist in avoiding future problems.

#### **National Disability Insurance Agency**

The problems with the NDIS portal are well-documented with some providers going eight weeks without payments because of ongoing ICT glitches with the online portal that facilitates payments to providers.<sup>47</sup>

The NDIS portal stopped processing thousands of applications from individuals, businesses and not-for-profit providers wanting to join.<sup>48</sup> Between 3,000 and 4,000 businesses and not-for-profit providers were blocked from entering the NDIS because applications could not be transferred to a new IT system.<sup>49</sup> Some clients and providers were thousands of dollars out of pocket as a result.<sup>50</sup>

Documents released under Freedom of Information found the NDIA was forced to enact an emergency payment system just eight days into its launch because there was a fear that people with disabilities would run out of funding after IT systems failed and participants could not access an

<sup>47</sup> <http://www.abc.net.au/news/2016-08-10/ndis-providers-entering-their-eighth-week-without-payment/7711754>

<sup>48</sup> <http://www.abc.net.au/news/2017-04-25/ndis-enacted-emergency-plan-eight-days-in.-foi-documents-reveal/8468688>

<sup>49</sup> <http://www.abc.net.au/news/2017-03-12/ndis-rollout-plagued-with-problems-foi-documents-reveal/8346892>

<sup>50</sup> <http://www.abc.net.au/news/2016-08-10/ndis-providers-entering-their-eighth-week-without-payment/7711754>

Inquiry into digital delivery of government services

online portal to pay for their services.<sup>51</sup> NDIA staff could not even update their own website for days and were forced to call the Department of Human Services to make changes.<sup>52</sup>

A review into MyPlace portal conducted by PwC found that implementation activities were not fully completed and the full scheme proceeded despite the risks. The program was under-resourced and under prepared to provide the support needed to clients and providers when they experienced ICT problems.<sup>53</sup> The stakeholder engagement, training and preparedness provided were insufficient, and necessary training materials were not finalised for staff and providers before the full launch of the scheme on 1 July 2016.<sup>54</sup>

Furthermore, staff report that the National Disability Insurance Agency does not have adequate facilities and many staff are still working out of the back of Department of Human Services (DHS) offices. Members report significant ICT system problems with the client relationship management system that replaced the SEBEL system, resulting in slowed down plan processing and long waits for plan approvals and paying providers. The National Broadband Network has also not rolled out as planned and many regional areas do not have the connections necessary. Planners are having issues accessing the portal and many are working off wi-fi dongles and in offices that do not have printers. The basic IT supports that NDIA staff need to do their jobs are not in place.

End.

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<sup>51</sup> <http://www.abc.net.au/news/2017-04-25/ndis-enacted-emergency-plan-eight-days-in,-foi-documents-reveal/8468688>

<sup>52</sup> <http://www.abc.net.au/news/2017-03-12/ndis-rollout-plagued-with-problems-foi-documents-reveal/8346892>

<sup>53</sup> [https://www.dss.gov.au/sites/default/files/documents/09\\_2016/pwc\\_review\\_of\\_the\\_ndia\\_myplace\\_portal\\_implementation\\_-\\_final\\_report.pdf](https://www.dss.gov.au/sites/default/files/documents/09_2016/pwc_review_of_the_ndia_myplace_portal_implementation_-_final_report.pdf)

<sup>54</sup> [https://www.dss.gov.au/sites/default/files/documents/09\\_2016/pwc\\_review\\_of\\_the\\_ndia\\_myplace\\_portal\\_implementation\\_-\\_final\\_report.pdf](https://www.dss.gov.au/sites/default/files/documents/09_2016/pwc_review_of_the_ndia_myplace_portal_implementation_-_final_report.pdf)