

Chapter 1

Committee views and recommendations

1.1 Shortly before this report was tabled, the Minister Assisting the Prime Minister for Digital Transformation announced the government's ambition that '[b]y 2025, Australia would be one of the top three digital governments in the world'.¹

1.2 It would be tremendous if Australia were able to achieve this. Throughout this inquiry, however, it has become clear to the committee that digital transformation is a policy area beset by soaring rhetoric and vague aspirations by government, largely unconnected to the actual policy activities actually undertaken.

1.3 This is a shame. Digital transformation represents one of the best opportunities to deliver more to those who pay for government, those who work for government, and those who government works for.

The promise of digital transformation

1.4 When considering what digital transformation means, it is tempting to draw parallels with businesses that Australians interact with in their everyday lives—businesses like streaming services, banks, or utilities.

1.5 Government does face many of the same challenges as business in undertaking digital transformation, particularly large, service-oriented businesses. The unique mission of government, however, means that digital transformation takes on special significance and takes place under different conditions.

1.6 Government interacts with more people in more ways than any single business. The services provided by government are often relied on by people in vulnerable situations. As was seen during "Robo-debt", mistakes made by government in how it delivers services can have devastating effects on individuals and their families.

1.7 Government is also much more than a mere service delivery vehicle for 'citizen-consumers'. It has policy and constitutional functions that have broad, society wide impact.

1.8 The promise of digital transformation is not just that existing information and services can be delivered through websites or apps. As observed by Mr Paul Waller in his submission to this committee, '[b]efore the internet we wouldn't have set out to transform public administration by redesigning the forms and guidance leaflets'.²

1 Hon Michael Keenan MP, Minister Assisting the Prime Minister for Digital Transformation, *Delivering Australia's digital future*, Media release, 13 June 2018, <https://ministers.pmc.gov.au/keenan/2018/delivering-australias-digital-future> (accessed 18 June 2018).

2 Mr Paul Waller, *Submission 18*, p. 1.

1.9 The promise of digital transformation is that technology will open up new policy possibilities and allow government to make a real impact in people's lives more effectively, efficiently, and frictionlessly.

1.10 This requires more than just investment in technology. As the AIIA explained:

The efficiency of moving a service online is only realised when the business process that supports the service is re-engineered...this has still not been addressed by a range of government agencies that deliver outward-facing services to customers - while the technology is new, the underlying processes remain antiquated.³

1.11 It also applies to government activities beyond transactions. Mr Waller's submission provides a very helpful taxonomy of government functions.

3 Australian Information Industry Association, *Submission 5*, p. 3.

Table 1.1: Taxonomy of government functions⁴

Resource type	Instrument sub-class	Examples
Nodality	Information Provision	Public health campaigns, health advice website
	Data Publication	National statistics, census data, performance data
	Self-service Information	National archives, law databases, company information
Authority	State Prerogatives	Criminal law, diplomatic relations, military action, border control, currency control
	Taxes and Duties	Personal tax, corporate tax, sales tax, import duty, fuel duty, alcohol duty
	Registration, Permits and Standards	Passport/ID card, driving licence, birth registration, trading permit, parking permit
Treasure	Entitlements, Grants, Subsidies, Loans	Unemployment benefit, pensions, housing/care allowance, research grants, student support
Organisation	Public Services	Utilities, mail, health, education, welfare, transport, emergency, waste, accommodation
	Public Goods	Roads, railways, airports, parks, broadcasting, museums, libraries, public housing, "platforms" for public use
Meta-class		
Information about Instruments		

1.12 At its best, digital transformation would involve considering the value technology can bring to each of these domains.

1.13 Government is capable of achieving this, it does a disservice to the public if it cedes the field of digital innovation, although the role government plays places some constraints on how this can occur.

1.14 People expect stability and predictability from government. It cannot meet those expectations by operating like a start-up. However, the Australian Public Service has remained relevant for over a century through innovation and responsiveness to the changing demands of government and the public. There is no reason for it to stop.

⁴ Mr Paul Waller, *Submission 18.1*, p. 13.

1.15 Finding the balance between these competing demands in order to realise the promise of digital transformation requires concerted leadership at a ministerial and public service level. This leadership has been lacking.

Failure of leadership

1.16 Transformation of any kind is challenging. It requires internal champions to overcome organisational inertia.

1.17 The committee recognises that there are many senior public servants across the service who have sought to drive digital transformation within their departments. They have been let down in their efforts by the lack of a champion within government as a whole.

1.18 Commenting elsewhere, former DTO CEO Mr Paul Shetler observed the following:

It's extremely difficult to get an incredibly bureaucratized, incredibly balkanized bureaucracy to decide it wants to transform itself. That's an awful lot of inertia in the systems built in...It's obviously possible to do that but you need to have strong support along the way from the ministers and the top.

I think that there has to be the ambition to [digitally transform government] and extremely importantly I think there has to be the political will to do so.⁵

1.19 The committee considers that the government has not demonstrated that it has the political will to drive digital transformation. This much is evidenced by the role it has given the DTA.

1.20 At the time, the reorganisation of the DTO into the DTA was presented as representing an expansion of the agency's powers. In reality, although the agency's scope of operations did increase (for instance through the acquisition of responsibility for procurement), it was less empowered to take action.

1.21 Now, two years later, the DTA performs a useful role in providing governance standards and guidance. Its contribution is muted because its role is confined to the level of assistance with discrete projects at the operational level.

1.22 Even there, its involvement is limited. At the time of its creation, it was intended to operate as a 'powerful new program management office' that would track ICT and digital projects across the whole of government, stepping in to remediate where things are not working.

1.23 In reality, it had only a minor role in the case studies examined by this committee.

1.24 The DTA is supposed to maintain a watchlist of at risk projects. However the Biometric Identification Services that was suspended this month was not on the list

5 George Nott, *Paul Shetler: I quit over a philosophical clash with the Minister*, CIO, 9 January 2017, available at: <https://www.cio.com.au/article/print/612460/paul-shetler-quit-over-philosophical-clash-minister/> (accessed on 13 June 2018).

despite being a large project which was already significantly overtime and over budget.

1.25 The DTA has been sidelined in the new digital initiatives undertaken by the government. The committee heard that:

- Cyber policy will reside at the Department of Home Affairs.
- Data policy will reside at the Department of the Prime Minister and Cabinet.
- The newly created Office of the Information Commissioner is organisationally separate from the DTA. No one in the DTA monitors whether the reported notifications by that office relates to Australian Public Service entities—agency performance in relation to security is not in its brief.
- The soon to be created Data Commissioner will be organisationally separate from the DTA.⁶

1.26 Cumulatively, the evidence heard by this committee revealed an organisation that was not at the centre of government thinking about digital transformation, or responsible for the creation and enactment of a broader vision of what that transformation would look like.

1.27 Troublingly, no other organisation is.

1.28 There is a clear need for a whole-of-government vision and strategic plan for the digital transformation of government administration. The evidence is of departments and agencies in silos looking internally and focussing on their own approach to the digital delivery of their particular government service, where in many respects all are facing the same challenges.

1.29 In the absence of any central vision, individual departments (and ministers) may end up pursuing projects that run counter to the aims of digital transformation. In particular, there may be a temptation to view ICT investment solely as a way to realise efficiencies and cut costs, rather than as a mechanism for transforming government service.

1.30 The committee believes that it is a mistake to take such a narrow view. The consequences of adopting this approach can be seen in the "Robo-debt" case study. The committee found it galling that DHS officers could claim that despite the hardships it caused, the program went 'very well' because it saved the government money. For the department the impact of the program on vulnerable people seemed to be an irrelevant in its design; irrelevant in its evaluation.

1.31 The committee was told by Dr Seebeck of the DTA that:

One of the key elements of digital transformation as it was envisaged—and you can track this through the DTO to the DTA—is that focus on user centredness, which is traditionally not the way government has tended to operate. Making sure that the user

6 *Committee Hansard*, 7 May 2018, pp. 5–7.

is absolutely dead centre in terms of any work of any government department, of any proposal that comes forward, is part of that process.⁷

1.32 It is difficult, if not impossible, to reconcile a program like "Robo-debt" with the principles of user-centredness that the DTA is supposedly responsible for engendering throughout government.

1.33 This inconsistency is a direct product of the absence of a central vision for digital transformation. A cohesive and shared view, driven by a properly resourced and empowered department or agency, would serve to guide policy development and decision making by the bureaucracy and ministers alike.

1.34 All departments and agencies would derive significant benefit from a whole-of-government strategic plan to achieve the digital transformation of government. Ultimate responsibility for this plan should rest with a central agency that is properly invested with powers and responsibility.

Recommendation 1

1.35 With the increasing demands for government to improve the digital delivery of services and functions, the committee recommends that the government undertake a review of the digital, cyber and data policy functions performed across government—and then establish key digital performance measures shared and reported across departments and agencies.

Recommendation 2

1.36 The committee recommends that the success of government digital transformation should prioritise measurement of user experience—as this is likely to also drive process improvements beyond simply the application of digital technology.

Recommendation 3

1.37 The committee recommends that the government deliver an annual Ministerial Statement on Digital Transformation that reports on cross-portfolio progress to improve digital transformation, identifying leading performance in departments and agencies and also publicly explaining steps to lift performance on projects failing to meet budget or delivery expectations.

The reality of 'digital transformation' so far

1.38 True digital transformation is a higher aspiration. The government to date has been unable to meet even the lower objective of being able to replace aging infrastructure without major mishap.

1.39 Digital projects—rightly or not—have a reputation in the public and private sectors alike for running overtime and over-budget. Over the past five years, however, the government has overseen a litany of failures, largely unprecedented in scale and degree.

7 Dr Lesley Seebeck, Chief Investment Advisory Officer, Digital Transformation Agency, *Committee Hansard*, 7 May 2018, p 5.

1.40 In November 2013, the newly elected Coalition Government initiated an audit of government ICT spending. Although there was some room for improvement, the review was largely positive about the value for money achieved for taxpayers and the nature of risk taken on by departments.

1.41 The same could not be said today. Since the last election we have seen:

- The failure of the online delivery of the 2016 Census;
- Repeated crashes of the ATO website;
- Overrun and delay in the upgrades to the Child Support Agency infrastructure;
- Abandoning the GOV.AU redesign proposal;
- Halting the start of online NAPLAN testing; and
- Abandoning the AAMS apprenticeship platform.

1.42 Shortly before this report was tabled, the already overtime and budget Biometric Identification Services project was suspended by the Australian Criminal Intelligence Commission, with contractors escorted off the premises.

1.43 Each individual instance of failure, delay, and cost overrun can be explained by specific factors at the project level. However issues have arisen at every stage of the project lifecycle, in large and small undertakings, and across departments and agencies. The pattern of faults points to broader systemic problems.

1.44 There seems to be serious deficiencies in the way that departments contract with the private sector. Although some ICT projects are delivered on time and on budget, too often government agencies appear to have assumed a risk that is inconsistent with both the contract price and community expectations.

1.45 There are some examples of improvement. In its contractual arrangements for the WPIT project, for instance, DHS seems more willing to put its partners on risk for failure to deliver than it had been with previous projects in years earlier.

1.46 This is heartening. It is not sufficient or satisfactory, however, to have a learning curve that is half a decade long and billions in taxpayer dollars deep. Nor should each department have to go on its own voyage of discovery.

1.47 An independent audit of completed and ongoing major ICT projects would allow lessons to be drawn from the contracting (and subcontracting) arrangements entered into by departments. It would be able to identify common sources of problems, and compare the allocation and pricing of risk across projects and with best practice.

Recommendation 4

1.48 The Committee recommends that the government establish a regular timetable to independently audit ICT contracting and subcontracting arrangements to identify whether government is taking on a level of risk that is consistent with the contract price and community expectations - and to help

identify or improve contracting standards or set better principles based approaches to future contracting..

The cost of consultants and contractors

1.49 It has been difficult for this committee to assess the cost of ICT consultants to the government, both in relation to major projects and for business as usual (BAU) spending.

1.50 Over a number of budget estimates, members of this committee have asked for information about the whole-of-government spend on consultants. The response has been that the government does not consider it good value for money to track this spend.⁸ During this inquiry, members of this committee have asked for the spend on consultants to be identified in relation to specific projects, to varying degrees of success.⁹

1.51 The committee considers it an essential component of oversight to be able to examine whether the money spent by a department represents good value for money. Contractors are usually substantially more expensive than APS staff. They may be contracted for good reasons, or not. They may be used judiciously, or not. Without details of how much is spent it is difficult to know whether contractors are serving a valuable purpose in providing otherwise unobtainable skills and expertise, or are being used by senior public servants to outsource responsibility for outcomes.

1.52 The committee notes the ongoing inquiry being undertaken by the Joint Standing Committee on Public Accounts and Audits into the use of contractors in the APS. In light of this inquiry, the committee has refrained from making any formal recommendations about reporting requirements for government expenditure, but endorses the principle of further transparency in this regard.

Recommendation 5

1.53 The Committee recommends that departments examine project budgets to identify and eliminate unnecessary spend on contractors, consultants and external vendors. Further, it should consider developing a longer term strategy to build internal public service capability to help drive the development or in house build of digital activities regularly contracted out by government.

Building digital capability in the APS

1.54 The cost of consultants extends beyond their budgetary impact. The governments' policy of outsourcing much of its ICT capability to external vendors and contractors has led to a loss of internal capability by the APS.

8 See, for example: Senate Finance and Public Administration Legislation Committee, Budget Estimates 2018–19, *Committee Hansard*, 23 May 2018, p. 97.

9 See, for example: Bureau of Meteorology answers to advance questions taken on notice; Department of Human Services, Answers to questions taken on notice no. 1, 2, 6 (sent 26 March 2018.)

1.55 In 2015, then Communications Minister, Hon Malcolm Turnbull MP, was reported as commenting on the role of outsourcing in the APS during the *Australian Financial Review's* National Infrastructure Summit in Sydney:

There has been a practice for government to outsource what should be the legitimate work of the public service to consultants.

...So the public service departments just become, you know, mail boxes for sending out tenders and then receiving the reports and paying for them.

...What we have to do in government in my view 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.**¹⁰

1.56 The committee thinks this sentiment is commendable, and calls upon the Prime Minister to put it into practice.

1.57 Digital work should be considered part of the "core responsibility" of the public service. It is no longer possible—if it ever was—to think of ICT and digital as adjacent or subsidiary to the proper work of government. Digital delivery and applications are an increasingly significant part both of departments' internal processes, and their interactions with the general public and end users.

1.58 The committee is concerned that the APS is unable to do much of this work. On its current trajectory, the APS risks becoming exclusively a cadre of generalist managers who no longer have the requisite policy and technical skills to conduct the business of government.

1.59 The committee recognises that ICT is a specialised area. It is not always possible or prudent for every department to house every required skill on a full time, ongoing basis. However, it is also not possible or prudent to view ICT expertise as the exclusive and proper preserve of the private sector.

1.60 At a minimum, a level of ICT expertise is required to be able to understand a project's digital needs and properly shape the department's exposure to risk and reliance on contractors. The committee is not convinced, for instance, that either the ATO or the ABS were fully cognisant of the risks they were taking on in the contractual arrangements that led to the ATO outages and the online census failure respectively.

1.61 The evidence to this committee, however, was that there are significant efficiencies in departments having more than just this minimum level of in-house expertise. The testimony of the Department of Human Service's acting Chief Information Officer is instructive in this regard. When discussing changes in the department's approach to large ICT projects, Mr McHardie explained:

10 Emphasis added. Alan Mitchell, 'Time to end outsourcing and rebuild the public service', *Australian Financial Review*, 14 July 2015, <http://www.afr.com/opinion/columnists/time-to-end-outsourcing-and-rebuild-the-public-service-20150612-ghmrje> (accessed 22 June 2018).

Mr McHardie: I think a lot of it is the experience we have now within the department of doing custom development work on the core SAP platform. We have just under 500 public servants within the department that are now qualified, now certified, as SAP professionals, whether they're enterprise architects or developers or testers.

CHAIR: And that's different to where you were at, say, in 2013?

Mr McHardie: Correct. Remember we talked about the outsourced approach?

CHAIR: Yes.

Mr McHardie: We now have a lot more control of our destiny, particularly when we need to do work on core products such as SAP.

CHAIR: It sounds like it's been more effective. You said that you have more control of your own destiny. What about the cost impacts of moving to an in-house solution?

Mr McHardie: The overall cost profile of the program hasn't changed for us. John, you may want to talk about—

CHAIR: Mr McHardie, it's not so much about the program. If you were to compare the input costs for projects back in 2013, when you were more reliant on external providers to deliver these interactions with these big platforms, and where you are now, where you've got 500 people who are accredited and on staff, does that produce a different set of cost drivers when you're scoping up a project for the future?

Mr McHardie: I think it does in the initial costings that are put together for projects, particularly when there are government directed activities, where government is looking at a range of solutions that it could roll out to meet legislative change or new legislative policy, or when replacing large elderly legacy systems. We understand these products so much better now, and with us doing the in-house build we're able to cost up those bodies of work much more effectively.

CHAIR: So you're a more informed buyer when you do go externally, but you're also able to deploy internal labour to drive down cost?

Mr McHardie: **Correct.**¹¹

1.62 The committee commends this change, however there is further to go in both deepening the extent of expertise within DHS, and replicating this approach across other departments.

1.63 The government should invest in the development of a workforce that is capable of delivering digital outcomes. As noted by the former head of the DTO, Mr Paul Shetler, in his evidence to this committee:

In my time at DTO, I saw dedicated public servants doing their best to help Australians, but often failing because of a shortage of digital skills. Instead

11 *Committee Hansard*, 23 March 2018, pp. 49–50. Emphasis added.

of providing digital training to public servants, too often we've outsourced IT to large international technology vendors and consultants.¹²

1.64 A decade ago, the Gershon review recommended the creation of a whole of government ICT career structure. This recommendation is even more pertinent today.

Recommendation 6

1.65 The committee recommends that the Australian Public Service Commissioner be tasked with developing a whole-of-government Australian Public Sector Information and Communications Technology career stream with mandated competencies and skill-sets for Information and Communications Technology professionals, government procurement officers, and Information and Communications Technology project managers.

Recommendation 7

1.66 The committee recommends that the government routinely report on how it intends to lift the number of digital apprentices and trainees that it is currently recruiting into the public service.

1.67 Digital expertise should not be siloed in a particular career stream. Submitters such as the CPSU have suggested programs to ensure that the APS as a whole (including senior decisions makers) is able to engage with the digital work of government.

1.68 These suggestions include:

- Creating an expert-in-residence programme to engage private sector experts on secondment.
- Establishing a Digital Academy, modelled on the United Kingdom'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

1.69 This is a necessary and appropriate continuation of the process of innovation that has enabled the APS to remain relevant and effective for over a century.

Recommendation 8

1.70 The committee recommends that the DTA be tasked with developing education and training initiatives to enhance the digital competency of all APS employees, including SES officers.

12 Mr Paul Shetler, *Committee Hansard*, 14 March 2018, p. 16.

Report Structure

1.71 The following chapters explain the background to the inquiry, and summarise the evidence received by the committee.

1.72 The remainder of the report is structured as follows:

- Chapter 2 outlines context and administrative details of the inquiry.
- Chapter 3 explores perspectives on what constitutes ‘digital transformation’
- Chapter 4 considers the challenges endemic to undertaking digital transformation.
- Chapter 5 considers whole-of-government policy issues.
- Chapter 6 examines four separate case studies that illustrate the challenges agencies face in transitioning to the digital delivery of government services.