



NATIONAL COMMISSION OF AUDIT

AIA Submission

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INTRODUCTION

The Australian Information Industry Association (AIIA) is the peak national body representing Australia's information technology and communications (ICT) industry. Since establishing almost 35 years ago, the AIIA has pursued activities aimed to stimulate and grow the ICT industry, to create a favourable business environment for our members and to contribute to the economic imperatives of our nation. *Our goal is to "create a world class information, communications and technology industry delivering productivity, innovation and leadership for Australia".*

We represent over 400 member organisations nationally including hardware, software, telecommunications, ICT service and professional services companies. Our membership includes global brands such as Apple, EMC, Google, HP, IBM, Intel, Microsoft, PWC, Deloitte, and Oracle; international companies including Telstra; national companies including Data#3, SMS Management and Technology, Technology One and Oakton Limited; and a large number of ICT SME's.

AIIA strongly supports the Government's aim of reducing expenditure, spending wisely, living within its means and only doing for people what they cannot, or cannot do efficiently for themselves. We therefore welcome the opportunity to submit this paper to the National Commission of Audit.

CONTEXT

In 1996 when the last national Commission of Audit was conducted, the World Wide Web as we know it was less than five years old. Search engines were rudimentary and there was no Google; laptop computers were heavy, expensive and underpowered; smartphones and tablets did not exist; there was no electronic service delivery, online payment systems, cloud computing or online authentication. Outsourcing, the contracting out of a business process to a third-party, had not been embraced for service delivery in business or government and the reshaping business processes to allow individual consumers of services to "self-service" did not exist in the absence of key enabling technologies.

Today over 40% of the world's population is online and there are almost as many mobile phone subscriptions as people in the world. In the last 5 years, 21% of GDP growth in mature economies has been attributed to the Internet.¹ In Australia, our internet economy is forecast to grow twice the rate of GDP between 2012 and 2016 – from \$50b to \$70b.²

Since the last national Commission of Audit, high speed communication networks have become the indispensable infrastructure upon which modern societies and economies depend; and the sum of pervasive broadband, ubiquitous connectivity, social networking, cloud computing, mobility and 'the Internet of Things' are coalescing to transform our workplaces and homes, how we socialise, communicate, entertain, access services and expect to be serviced, and how we communicate and interact with government.

¹ *Internet Matters: The Net's sweeping impact on growth, jobs and prosperity.* McKinsey Global Institute. May 2011, http://www.mckinsey.com/insights/high_tech_telecoms_internet/internet_matters

² Deloitte, *Digital Disruption. Short Fuse Big Bang.* 2012, http://www.deloitte.com/view/en_AU/au/news-research/luckycountry/digital-disruption/index.htm

Increasingly, the adoption of service and product design thinking, the move to citizen centricity and new digital technology is challenging traditional paradigms and models of service delivery. Adopting digital technologies and rethinking how services and products are designed and delivered not only drives cost reductions, but can also enhance the client experience and drive additional revenue (as in the case of the Department of Immigration and Border control's Visa Pricing Transformation). Similarly, a digital service strategy, being data driven, can generate new insights into policy, improved targeting of services and the development of agile approaches to both solution development and the measurement of outcomes.

Research released by the Australian Industry Group (Ai Group) in 2013 confirms a direct link between business investment in new technology and growth: 33% of businesses that invested in new technologies reported labour productivity improved compared to 16% of businesses that did not invest. Fifty four per cent of businesses that intended to invest in new technologies in 2013 expected labour productivity to improve compared with just 20% of businesses that did not plan to invest. The research consistently showed that businesses that chose to invest despite poor business conditions, later found that their decision kept their business afloat.

(Ai Group, Ready or Not? Technology and Productivity in Australian businesses, 2013)

While modern technologies facilitated the 'push' for transformation, a 'pull' dimension is emerging at the citizen level as consumers embrace technology across every sphere of their life and expect government to do the same. Despite this ICT capabilities of government agencies are increasingly under pressure from fiscal constraints, ageing assets, legacy systems and capability gaps.

The sheer magnitude of change driven by ICT in the last 20 years and the extent to which it has impacted the activities of government and how government interacts with citizens, business and other levels of government makes the present Commission of Audit long overdue. The predicted growth of the Australian public administration sector – a doubling of current outlays of the combined state and federal public sector by 2025 to some \$175b per annum or 5.1% of GDP³ in combination with the continued slowdown in Australia's population growth and an increasing ageing population the workforce available to generate Australia's future wealth will inevitably decline makes this an imperative.

The Commission of Audit provides a mechanism to assess how these challenges can be managed having regard to current government processes, systems, technology and capabilities and the opportunities presented by new digital technology.

APPROACH

AIIA's submission has two areas of focus:

- Measures aimed to improve the operation of government – opportunities to improve efficiency and reduce costs without compromising (indeed improving) the effectiveness and quality of government operations and service; and

³ IBM, *Towards 2025: Delivering public sector digital transformation in Australia*, 2013.

- Measures that stimulate growth and wealth creation by the private sector, through for example, reduction of red tape and the divesting of functions and services to the private sector and non-government organisations (NGOs).

The former aims to reduce cost and improve efficiency while the latter is directed at stimulating broader economic activity and growth particularly in a fiscally constrained environment. This requires government and industry to have an open and collaborative dialogue about specific opportunities for the increased and more effective use of ICT by the government.

In executing this agenda AIIA strongly encourages government to take an *outcomes* based perspective to inform and drive reform across the public sector.

IMPROVING THE EFFICIENCY AND EFFECTIVENESS OF GOVERNMENT

Estimates by the UK Think Tank Policy Exchange are that by 2020 a digitally transformed government could be up to 8% more effective than if it continued doing business as usual. This translates to some £24 billion a year savings that could be spent on public service expansion (additional services) and/or deficit reduction.⁴ This opportunity equally applies in Australia.

With over 1,000 government services online⁵ it is clear that progress has been made in achieving a more digitally enabled government. This was reinforced by the 2013 update of the National Digital Economy Strategy and recently, the commitment made by the Abbot Government to set new 'stretch' targets for government online service delivery by 2017. The commitment to a 'dashboard' to publish key metrics on government ICT performance and league tables of agencies ranking performance on online engagement, and the intention to work more closely with both state governments and the private sector to achieve its digital economy objectives similarly signals a determined resolve to modernize government.⁶

Given the Government's intention to reduce the size of the public service and improve efficiency, government will inevitably need to operate, provide and execute services and innovate with less. As technological progress continues at relentlessly ubiquitous broadband will be at the heart of how modern business is conducted. Access to and use of a national high speed broadband capability must be central to driving the government reform agenda. Moreover, and irrespective of form, digital services must be designed and delivered with 'citizens' top of mind and reflect the technologies used by today's consumers. This requires architecting systems for interoperability and data sharing; leveraging platforms and technologies that support agility and dynamic change; sharing infrastructure and service capability; modernising concepts of content development and content publication (including through cross program service offerings; embracing mobility; and cross sector collaboration and innovation).

⁴ Policy Exchange. *Smaller, Better, Faster, Stronger. Remaking government for the digital age*. 2013

⁵ Department of Communications. *Advancing Australia as a Digital Economy*, 2013. p46.

⁶ *Coalition's Policy for e-Government and the Digital Economy*, September 2013

Alignment of Government Strategies

The Commission of Audit must use this opportunity to take a holistic approach to how government will execute its overarching efficiency and policy agendas. This will require alignment of key strategic areas: government's technology capability; the eGovernment and Digital Economy strategies; budget and cost reduction initiatives; red tape reduction; and national productivity performance. The Government eGovernment and National Digital Economy Strategies are important enabling strategies to whole-of-government cost and red tape reduction initiatives.

Electronic Service Delivery and Self Service

Notwithstanding the number of government services that have been transitioned online, there is still much to be done as transformation is not simply a matter of putting more information as is the case today (often in basic pdf form) or 'bits' of services online.

The overarching value of online service delivery is that citizens can self-service. The UK Government's Digital Efficiency Report found that for some central agencies, the average cost of a digital transaction was 20 times lower than the cost of a telephone transaction, 30 times lower the cost of a postal transaction and 50 times lower than the cost of a face-to-face transaction.⁷ For benefits to be realized two fundamental conditions are required.

First, the efficiency of moving a service online is in most cases, only realized where the business process that supports the service is re-engineered to remove complexity and cost. Maximising the efficiency of technology requires leveraging the capability of the technology to

improve and transform the business process and delivery method. This requires that online services must be able to flow in digital form end to end. The value of undertaking a process or transaction online is only realized where it can be started and finished electronically. There is little, if any, incentive for citizens to undertake part of a process online where at some point they need to pick up a phone or go to an office both of which typically require waiting and queuing. Similarly, the efficiency of a service is greatly reduced if at some point a document is printed and placed into an 'in-tray'. This is particularly the case where transactions need to flow between departments – there is a need for smooth electronic "referrals" to ensure that the flow is fully digital.

Examples of business process reform supporting the transition to digital service deliver:

In developing their Service NSW agenda, the NSW government has mapped and evaluated over 800 service transactions prior to providing services online.

In the UK, the government has specifically undertaken an end-to-end service redesign of all transactional services with over 100,000 transactions a year. All new or redesigned transactional services post April 2014 must meet a new digital by default service standard – designed from the bottom up. <http://digital.cabinetoffice.gov.uk>

The Department of Immigration and Citizenship's Visa Pricing Transformation initiative undertook time and motion studies and business process standardization to inform development of new electronic service approaches.

⁷ Policy Exchange. *Smaller, Better, Faster, Stronger. Remaking government for the digital age.* 2013 p33

Second, government needs to be bold about switching to a digital business culture. This applies both to internal business administration and how it interacts and services citizens. Business process reform must enable the removal of paper from work and communication processes and in servicing citizens government needs to limit access to costly service channel options. Face-to-face may be necessary for some interactions between the government and public but where these are not critical, the option must be removed.

Summary level examples of how other Governments' use ICT to deliver services and engage with their citizens are included at [Appendix 1](#).

Digital 'Proof', Identity and Authentication

Moving transactions online and enabling customer self-service improves the efficiency with which individuals can interact online with specific government services. The fact, however, that at some point of the process demonstration of 'proof' (of identity, age, residential information, relationships etc.), typically in an analogue form is required, invariably bringing an otherwise inexpensive, quick and convenient online process to a halt.⁸

Whereas once (as recently as in the last 10 years) the solution to the provide electronic proof of identity was a single national identity database, technology now exists to manage disaggregated personal data, including 'identifying' information so it remains under the control of the individual who owns it. An open standards approach to electronic identity management enables citizens to leverage more sophisticated federated solutions where personal data can be stored in multiple locations (e.g. on a local device, several devices or in the cloud) and drawn together as needed, by consent as necessary, with credentials that are fit for the purpose. Such solutions not only address the issue of electronic proofs but concerns about privacy. Enabling control by citizens themselves addresses a key challenge – the tension between joining up data and protecting privacy.

Given the multiplicity of relationships that citizens have across both the public and private sector, there is also an increasing trend towards involving the private sector in the development of digital identity management systems. 'Management' of a person's identity is no longer deemed to be within the domain of government. Rather government is a 'participant' in a market in which citizens can create, use and manage their own credentials. This is also necessary to support full electronic data flows between agencies – to reduce cost, complexity and duplication and improve the customer experience.

Measurement

Digital reform must be supported by measurement of government agency performance against digital service goals. Measurement must be meaningful and include targets and a transparent reporting framework. Key performance indicator's must be measured and reported to ensure efficiencies are realized. Current measurement, reporting and public accountability requirements are weak. Robust measurement and reporting is necessary to drive the behavior to achieve required outcomes.

⁸ Policy Exchange. *Smaller, Better, Faster, Stronger. Remaking government for the digital age*. 2013 p.37

Shared Services and Cloud Computing

Shared service platforms reduce duplication, achieve economies of scale and reduce support and maintenance overheads. Notwithstanding the complexity of government operations and agency autonomy, shared service platforms to support government wide, functions such as procurement, human resource management, payroll, legal operations and travel management have delivered substantial savings when used effectively.

Moreover, estimates are that savings in the order of 20% to 30% of infrastructure costs can be achieved by reducing the overall costs of IT ownership. This includes eliminating redundant networks, server consolidation/reduction, standardising applications, consolidating data centers/data storage, retiring outdated and low value bespoke systems.⁹

Shared service approaches in County governments in southwest England have, through procurement consolidation alone, generated some \$100 million savings.

(IBM, *The Foundations of Efficiency*, 2012)

Evidence shows that cloud computing services drive growth and efficiency:

- KPMG modeling shows the increased adoption of cloud services across the Australian economy would grow annual GDP by \$3.3 billion by 2020
(KPMG, *Modelling the Economic Impact of Cloud Computing*, May 2012)
- An EU study into the impact of cloud computing predicts that if all EU member countries successfully adopted public cloud it would boost GDP by 1 per cent and create 2.5 million jobs by 2020.

(IDC, *Quantitative Estimates of the Demand for Cloud Computing in Europe and the Likely Barriers to Up-take*, July 2012)

Cloud computing enables organisations to reduce costs and outsource support and maintenance to providers that have lower marginal costs and better expertise. Cost savings are achieved through reduced capital expenditure, more efficient utilisation of infrastructure, use based payment models and by pooling demand for ICT services across customers to enable lower prices. Leveraging their purchasing power, agencies can also drive common standards and achieve secure cloud service solutions at a lower cost. In addition, cloud services improve the responsiveness, flexibility and agility of agencies and in doing so enable more responsive service delivery.

While the Digital First policy and National Cloud Computing Strategy encourage the adoption of cloud computing by public sector agencies, changes earlier this year to the Protective Security Policy framework require agencies wanting to use cloud to undertake complex threat-driven risk assessments signed off by the agency head. In some instances ministerial approval is required, including by the relevant portfolio minister and Attorney-General. These arrangements are overly burdensome and create a barrier to cloud adoption by government.

To drive an appropriate market dynamic, where cloud services are adopted, models that are subject to ongoing competitive tension and which enable smaller participants to compete in niches are also essential to facilitate participation by small and medium sized enterprises.

⁹ IBM, *The Foundations of Efficiency*, 2012

Transformation of Internal Data

In parallel with the exponential growth of data, technology enables sophisticated new ways in which that data can be analyzed. Data driven analytics enables government to develop rich, evidence based insights to inform future policy, business models and service delivery options. Furthermore, a more thoughtful approach to what data is collected (including if the data can be collected) can be adopted. Policies that are implemented in combination with a view to solid data analytics means policies can be evaluated sooner rather than when it is too late to make a material difference. Predictive analytics can enable data to be captured throughout the program rollout and full implementation to provide visibility into how it will perform. Also as circumstances change, programs can be adjusted quickly, and in real time, maximizing the effectiveness of feedback loops and program effectiveness. This saves time and costs.

In the case of service delivery, analytics enables targeting of specific services to specific customer segments and increasingly, to specific individuals. In the same way that retailers and other service businesses use data to hone their market, improve the effectiveness of their services and increase their efficiency, so too the opportunity applies to government.

Using the latest technology platforms, government can bring together a range of cross agency government information, research, social data etc. to create a single 'source of truth' about customers (citizens). This information can be used to help governments design and implement programs highly tailored to the individual. We are moving away from 'citizen-centric services' designed around cohorts of individuals, e.g. low income families, people with a disability etc. to individualisation of services. Using sophisticated technology platforms and tools government services can cost-effectively become highly tailored to meet particular citizen needs. This will be most important for effective delivery of new government programs, such as the National Disability Insurance Scheme, where individuals with a disability each have specific and sometimes complex needs requiring carefully designed supports and measures to help them live a full life and possibly gain employment.

Information from Source

While progress has been made transitioning to electronic business processes the next significant wave of efficiency will be generated when information can be obtained and seamlessly shared without the need for human intervention.

Already within government there is a framework to support increased machine to machine processing and automation. The Standard Business Reporting (SBR) initiative was introduced by Government in 2010 and is designed to simplify business-to-government reporting through standardized electronic reporting. While SBR represents an excellent opportunity for businesses to meet their compliance obligations with government, it is underutilized. This is notwithstanding that the Australian Chamber of Commerce and Industry (ACCI) 2012 *National Red Tape Survey* reported that almost half of the respondents spent 1 to 5 hours per week complying with regulatory requirements with a further 11% spending more than 20 hours week on compliance matters (red tape burden was identified moderate to high for, in particular, the ATO, Fair Work Australia, Centrelink, DEEWR and ASIC).

Underpinning SBR is a standardized taxonomy that provides a single definition for each term used in government reports. By creating the taxonomy the government has significantly reduced the number of unique data items across government agencies. As a result, the taxonomy enables the development of business software that can extract data directly from business systems for reporting to government. The system improves the efficiency and accuracy of reporting, removes manual handling of key compliance requirements and reduces duplicate information collections. While the initial focus of SBR has been on taxation and company compliance reporting, there is clear potential to expand into other areas where there is a government to business and government to government interface. Already the system is being applied within the superannuation industry.

According to the Productivity Commission estimates are that the potential benefits from the uptake of SBR are in the order of \$500m per year. Productivity Commission, *Impacts of COAG Reforms: Business Regulation and VET*, 2012. Chapter 6

The work of the ATO in the pre-filling of tax return information is also a good example of leveraging data directly from source to increase productivity gains and reduce compliance burdens.

Capability Development

Adoption of new digital technology is transformative. The skill sets required to enable and drive that transformation are new and in scarce supply globally. For new digital capability to be delivered effectively and cohesively these will need to be updated. In fact, to deliver in this face-paced, highly digitalized environment, no organization can be expected to have the expertise and capability to bring best practice strategies and best of breed technology to government service delivery. Research suggests that organizations that develop mature and sophisticated partnering strategies with technology focused organizations tend to do better.¹⁰

Execution capability is critical to the success of any project. Outcomes and benefits need to be well defined with clear fiscal accountability around investments and outcomes. While governance frameworks exist, genuine accountability for outcomes and benefits delivery is weak.

Actions

To achieve the efficiency and cost reduction objectives of government, AIIA recommends the following actions.

To leverage the experience of other sectors, include in the ICT Advisory Board representation from industry (AIIA), technical and financial services and retail service delivery sectors.

- Empower the Board to enforce common architectural standards, components and capabilities across government to ensure re-usability of common capabilities and avoid stovepipe, uncoordinated initiatives. In an environment where there is competition for resources, this will also ensure that scarce resources across government are pooled and directed. It is particularly important that standards to enable information flow (including metadata standards and interface standards) are agreed.

¹⁰ <http://www.ibm.com/smarterplanet/us/en/centerforappliedinsights/article/sourcing.html>

Undertake a review of whole of government ICT operations, including workforce structures and capability, operating models and cost structures.

- This must be headed by a recognized industry leader with the autonomy to enforce that no agency is excluded and ensure that the scope of the review is not limited to the 'ICT' group within agencies, but covers all technology related activity across agencies.
- Review ICT costs, including distortions such as high levels of expenditure in the last 6 weeks of the financial year and the nature and timing of capital expenditure.
- Undertake a review of the workforce of all agencies: examine the ICT workforce skill sets, demographics and other aspects such as public/private sector experience so the government has a clear understanding of where skills capability can be sourced, and where shortages are likely to occur. This will enable strategies to be developed so the government can start to minimize the risk of not having the necessary skills to drive government service delivery in a digital environment. This study will need to also examine the competency and accreditation requirements necessary to drive digital transformation of government.
- Review agency architecture against whole of government architecture and industry standards to identify strategic technology risks across government e.g. data standards, systems maintenance, scale and capacity and maximize opportunities for interoperability and re-usability of capabilities and services.

Undertake a services and capability stock take of all agency ICT operations

- Examine the capability of current government technology arrangements to meet the challenges, opportunities and risks of 'digital government'.

Expand the Government's eGovernment and National Digital Economy Strategies to include internal administration and government to business measures

- To maximize efficiencies the government's own use of technology and digital strategies must be expanded to include internal administration and government to business measures.¹¹
- In relation to services: undertake an audit of online services to identify and benchmark those that provide end to end service online and have delivered them well.
- Prioritise high volume transactions for development of end to end capability. Require the business processes of all new online services to be mapped and reviewed prior to development. Rationalize less cost effective service channels and to facilitate end to end online services address as a matter of priority, the issue of online digital identity management, having regard to lessons learnt from other countries.
- Review approaches and governance arrangements for assuring delivery of projects to ensure outcomes and benefits are clearly defined and can be measured.

¹¹ There are examples in both the public and private sectors that demonstrate the value of the strategic application of technology and innovative digital services to achieve significant cost reductions and new business opportunity including additional revenue, e.g. Commonwealth Bank, Boeing, VPT Transformation at DIAC

- Review burdensome cloud computing service approval processes and replace with *appropriate* risk management measures.
- Require data driven policy and service development, including across agency boundaries.
- To reduce red tape and compliance cost in government to business transactions expand the use of SBR.

STIMULATE GROWTH AND WEALTH

In our multifaceted global environment where complex problems benefit most from cross sector and cross industry responses, traditional models of government whereby government's role is to own and directly deliver services are giving way to new more open and collaborative models. For example, the emergence of cloud based platforms and services, collaboration tools, open data, big data, data analytics, real time web services, social media and open standards are changing how government accesses information, uses information, delivers services and participates in a thriving digital ecosystem.

With the commoditization of technology, suppliers can offer service capability both more cost effectively and with a higher level of capability and expertise. Importantly, facilitating private sector activity and growth directly benefits the economy. Government revenues (company tax, income tax, GST) increase as private sector revenues grow. Government driving a culture of openness and innovation, partnering with industry to deliver new services and capability spills over to new product and service opportunities that have the potential to drive increased exports and revenue. Openness attracts foreign investment, drives innovation and encourages the diffusion of ideas, all of which can be leveraged for national economic benefit, creating a fortuitous cycle. By commissioning capability in the market government is 'freed up' to focus on outcomes and as a policy maker and regulator, ensuring it has access to the information and metrics to inform decision making and planning.

As it considers the scope and effectiveness of its role, opportunities for government to stimulate broader wealth creation include:

- Leveraging open data and collaboration to drive innovative citizen facing products and services;
- Addressing red tape and regulatory burden on business to reduce the cost of compliance and drive business investment; and
- Reducing the scope of what government 'owns' and does as a mean to stimulate economic activity in the private sector and by NGOs.

The outcome government must seek to achieve is greater cross sector activity and innovation that directly drives productivity, business investment and economic growth.

Open Data, Collaboration and Innovation

While to date a focus on transparency and accountability has largely driven the debate on open data, particularly in the public sector, the more powerful opportunity lies in the ability to unlock significant economic value. By replacing traditional and intuitive approaches with data driven processes, open data can drive productivity; improve the efficiency and effectiveness of processes; inform the development of

new products and services; and create value for individual consumers and citizens. In the market, open data can foster competitiveness and enable collaboration among business, government and individuals.

Government has a key role in setting the tone for open data both by making its own data available and shaping the policy environment. To facilitate access and reuse government needs to ensure that in making data 'open' it meets open standard formats. Potential value not simply the ease with which the data can be made available, must guide priorities for the release of data. By championing the economic value of open data and setting appropriate policy, privacy and security frameworks, government to adopt a default position to release of data whenever possible.

Recent analysis by the McKinsey Global Institute estimates that open data has the potential to enable more than \$3 trillion in additional value annually across seven key domains: education, transportation, consumer products, electricity, oil and gas, health care and consumer finance.

McKinsey Global Institute, *Open Data: Unlocking innovation and performance with liquid information.* 2013

Making government data available also sets the tone for openness among other institutions and organizations. In this respect, government plays a critical role in shaping both confidence in open data and the policy environment in which open data is made available and used more broadly. This includes policy relating to the type of information that can be made available, who can access information and appropriate privacy, confidentiality and intellectual property requirements. Similarly government has a role in educating the public about the potential benefits to the economy and to society of making data more open.

Assuming that appropriate privacy and security frameworks are in place, opportunities for innovation in our own market include:

- Using health information to: inform health lifestyle decisions and manage specific treatments; develop evidenced based public health policy; enable consumers to be more informed and involved in their healthcare; develop more cost effective health service models (for example affordable telehealth options); better manage medication use and costs.
- Use of spatial information to inform community and infrastructure planning; drive economic development opportunities; and deliver efficiencies in citizen centric service delivery across levels of government.
- Use of education data to improve student performance and learning needs and styles; improve curriculum planning and developing; facilitate links between employers and job candidates; help inform pipeline skills analysis.

Making data available across almost any domain will drive unforeseen information products and services - stimulating innovation, benefiting citizens, and driving wider economic activity.

Red Tape and Regulatory Reduction

One of the biggest public policy challenges facing Australia is how it can boost investment to drive productivity and competitiveness. While there are many factors that determine productivity, regulatory burden is arguably a major impediment.

In 1996, the Howard Government commissioned a review into the compliance burden faced by business across the three levels of government – the Bell Report (“Time for Business”) estimated the compliance burden to be some \$17b per annum (17 years on and with the increased scope and complexity of government administration and regulation, it can be assumed that the compliance burden would be multiples of that figure). Accepting all the recommendations of the Report, the Howard Government subsequently introduced strategies such as a single identifier for business (the Australian Business Number), an electronic single point of entry for business (the Business Entry Point), and electronic authentication for business. In the digital age, further strategies are required to streamline the interaction between business and government – particularly small business to reduce the compliance burden and drive economic productivity.

Government Procurement

Current procurement arrangements are outmoded. Typically they focus on purchasing products rather than solutions or outcomes and they have failed to keep pace with the changing service based environment. There are significant opportunities for government to improve the way it procures ICT services from local industry participants, which in turn drives growth whilst also supporting greater efficiency and effectiveness.

Government procurement processes can create a significant compliance burden for business and in some instances, hamper competitive dynamics through overly restrictive tender frameworks. Specific areas for focus in the area of procurement include:

- Revisiting tender frameworks so that it is easier and less time intensive for firms to respond to tenders when they are released. For example a one-stop pre-qualification or certification process, where matters such as insurance certificates, company ownership details and ABN’s (common to all tenders) are collated so that the same information does not need to be repeated every time a tender is submitted. This would also address the issue of the multiplicity of government panel arrangements – some 50 panels alone related to ICT issues across government.
- Providing greater clarity of the government’s strategic ICT directions. In practice this requires eliminating the silos which currently exist at the agency level around ICT and ICT requirements. If industry had a better understanding of the government’s ICT directions it would be better positioned to provide innovative ideas in a more agile manner and able to invest in the capabilities needed to contest future work.
- Embracing the use of open competitive frameworks to both innovation and drive value for money outcomes. The fact that many ICT projects can be multifaceted should not be used as an excuse for restricting tenders, but instead seen as an opportunity to seek innovative and progressive ideas from the market. There are various options for opening up tender processes more broadly, including less sophisticated options such as a planned staging of ICT projects or the encouragement of joint/partnered proposals and more sophisticated options such as some form of ‘package’ bidding, where process rigidity takes a backseat to competitive dynamics and innovation.
- Effective industry engagement and planning to facilitate reduced procurement cycles and minimize the risk of tender periods becoming delayed and delivery times condensed, risking the overall project delivering outcomes.

To support better informed procurement processes, Concept Viability enables structured industry engagement before an initiative is taken to market in a competitive tendering process. Concept Viability allows public sector customers to have a two-way dialogue with the ICT market; and provides suppliers with an opportunity to help shape and validate ideas, plans and requirements. The process takes place within a safe and neutral environment, which helps customers assess the opportunities and risks associated with specific projects before committing themselves to a particular approach.¹²

Given the substantive annual spend on ICT projects by the Federal Government, it is reasonable to expect that a more strategic, planned approach to market coupled with the use of open, competitive frameworks offers a very real opportunity for both cost-savings and innovations in service delivery and administration.

We would also make the point that EOI and bidding processes are costly for industry. Procurement processes must therefore genuinely seek an understanding of what the market can deliver, and should not be used as exploratory exercises to, for example, build business cases.

The Cost of Compliance

Business needs to be freed up to drive productive economic activity and reduce the cost of business. In 2012 the World Economic Forum's Global Competitiveness Index ranked Australia 96th out of 144 nations for regulatory burden. Over the last decade the federal parliament has introduced on average over 6,000 pages of new rules each year.¹³ Red tape and regulation are driving up the cost of business, reducing agility and stifling innovation.

- Current Employee Share Option Plan requirements tax employees at the point that an option is made, before any gain is realized and require unlisted companies to undertake excessively complex and costly processes to 'value' their business.
- Unnecessary duplication of regulatory authorities. For example, the need for an industry specific government authority such as Australian Communications and Media Authority (ACMA) is unclear given its responsibilities could be discharged by the Australian Competition and Consumer Commission (ACCC) and Dept. of Communications and under the Australia Consumer Law.
- Recent changes to 600 work visas make it harder to attract short term workers to visit Australia, effectively impeding critical skills and innovation exchange opportunities.
- Legislative barriers limit take up of telehealth models irrespective of the immobility of a patient.
- The larger suppliers in the ICT industry are dependent on their SME suppliers and partners to deliver services. However, it is questionable whether the Australian Industry Participation agreements are delivering greater SME participation in Government procurement. Better approaches include government adopting stronger partnership engagements with industry, where industry is better informed about government technology priorities and consults more effectively with industry partners while technology needs are developed into tenders.

¹² See <https://www.techuk.org/services/concept-viability>

¹³ Business Council of Australia. *Action Plan for enduring Prosperity*, 2013. p 91

Leveraging the Private Sector and NGOs

Technology and ubiquitous high speed broadband is shifting the business paradigm. The disruption of traditional business and service models and in particular the need to be agile and responsive is creating new solutions, markets and market players. Ultimately this benefits citizens, business and government. Given the opportunities presented by new disruptive technologies coupled with the need to stimulate investment and drive productivity, the focus of effort and investment of government needs to change. For example, by purchasing rather than building the capability and services it needs; and where appropriate partnering with business to deliver services or handing off functions that can more efficiently be delivered by the private sector or NGOs. Leveraging market capability government is then better placed to shift its focus where it needs to be - on outcomes and setting strategy and standards.

As noted by the recent Business Council of Australia (BCA) Action Plan for Enduring Prosperity, *“The distinctive, defining characteristic of a success market economy and economic development is enterprise . . . More often than not it is harnessed in productive business and commerce. It is underpinned by our capacity to invent, to innovate, to discover, and to organise in new and cooperative ways”*. It goes on to note that the job of government is to facilitate an environment in which wealth is created and distributed and that in turn this creates societal wealth.

Business Council of Australia. *Action Plan for enduring Prosperity*, 2013

Further, by partnering with a diversity of small, medium and large sophisticated technology service providers, governments can access the expertise of industry to develop and deliver the best available technology to support new approaches to policy and program delivery. Industry can bring expertise from other jurisdictions, including offshore, and translate it into the Australian Government environment. New capabilities can be developed as industry invests to advance the technology and create innovative new solutions. This model of engagement enables government to operate more flexibly and respond quickly to service delivery pressures and continually focus on the delivery of outcomes. Such arrangements need strong, trusted partnerships between government and industry. The ICT industry has seen some evidence of this in successful technology rollouts, but there is a lot more that can be done to create collaborative arrangements that enable government and industry to achieve common business objectives for success.

Cloud computing services, as noted earlier, reduce capital expenditure, offer capacity on an as-you-go basis with payment tied to use, reduce time to market and provide increased agility and responsiveness. It makes little sense for government to build and maintain its own infrastructure where it can be provided more efficiently by the market.

With increasingly sophisticated remote applications, controlled access to data and support tools, tracking capability, analytics and performance measurement frameworks, the role of government in direct service delivery can be reviewed. Non-government organisations for example, are arguably better placed and better connected to deliver and provide support for some social services – particularly as they develop their own digital capability.

The significant innovations occurring in payment and information services can also be leveraged by government. The current approach to payments across government is primarily operational/

transactional. With the emergence of new, digital and real time capability the payment industry is moving beyond the technical mechanisms of payments, to how processes link to policy and the forward identification of trends through controlled payments tied to incentives, micro-payments, related data services and analytics. Across government, with the extent of payments made and received and the various criteria and circumstances in which these occur and in the context of considerable transformation in payments services, this is an area of reform that will generate efficiencies, cost savings, innovation and increased assurance.

All this is to say that with the increasing sophistication of business models combined with advances in technology and the need to stimulate business investment, particularly in the area of technology, government needs to review its assets, services and capabilities for contestability.

Actions

The Commission of Audit provides an opportunity to not only drive efficiency but broader, economy wide growth and wealth creation consistent with its goal of reducing Australia's deficit. With this in mind and to complement the Actions identified earlier, AIIA recommends the following.

Adopt an open managed data by default policy across government

- Acknowledging the breadth and value of public data holdings and opportunities to drive increased economic and social benefits, ensure public data is open by default and available in open formats that facilitate access and usability. To retain the relevance and usability of data, it is imperative that data that is open is kept current and accurate. This requires a management strategy with funding in support of the datasets. Without this, the value of the open datasets will rapidly degrade and economic benefit will be undermined.

Reengineer and streamline government procurement processes

- Existing government procurement processes are outmoded. They are costly, do not adequately balance risk for government or vendors, prevent agility and innovation and have not kept pace with new service paradigms. Current arrangements need to be updated to: align with new business and service models, manage risk in the new service environment; and enable agile and responsive approaches to government policy objectives and outcomes.

In addition to the proposed review of existing red tape and regulatory requirements, introduce policies and mechanisms to ensure rigorous assessment of any future regulatory proposals

- Notwithstanding existing regulatory impact requirements, red tape and regulatory obligations continue to grow thus driving up the cost of business. To reduce impediments to business investment and growth, government needs to proactively reduce existing regulatory burdens and provide clear policy and practical measures to prevent future regulatory expansion.

Leverage third party capability and assets

- Via the whole of government architecture and capability review, identify assets, services and capabilities for contestability and/or for private sector or NGO partnership potential, including

- Cloud services
 - Identity management and authentication services within government
 - Authentication services for citizens and businesses
 - Development and provision of Mobile apps and mobility services
 - Digitisation of documents
 - Payments
 - Telephony, call centre and help desk operations.
- Explicitly review functions/services that are or should be outsourced and develop appropriate outsourcing and engagement models; test functions that are insourced against contestability criteria; examine the scale of duplicated capability/services; and report on whole of government capability/services including the extent to which these are utilized/under-utilized.

Implement a Concept Viability Model

- To drive adoption of new approaches and transfer skills and knowledge as well as drive down risk and cost, re-position AGIMO to work with industry to solve business ‘problems’ leveraging new and innovative technology solutions. The aim is to stimulate innovation in a low risk, collaborative environment and ensure expenditure on technology is linked directly to business outcomes.

CONCLUSION

Undertakings such as those of this Commission of Audit are rare. This then is an important and arguably long overdue opportunity for government to review not just how it operates, but its role in the direct delivery of services to the Australian community. Importantly, in undertaking this review, government must also consider the broader economic circumstances and challenges Australia currently find itself in.

AIIA’s position is that notwithstanding the critical importance of government being more efficient and productive it must do more than this to assure Australia’s economic future and global competitiveness. The role of business and a vibrant, competitive market in driving national growth and wealth is well understood. In setting a path forward, it is imperative that the Commission of Audit properly balance internal government efficiency and external (to government) economic activity and wealth creation. The increasing sophistication and pervasiveness of technology must necessarily figure strongly in the achievement of both these objectives – it enables every sector and in the process is fundamentally changing business and service models. To keep pace government must also change how it uses, leverages and purchases technology to enable achievement of its national strategic and economic goals. Government needs to be clear about and articulate the outcomes it wants to achieve – and needs to drive confidence in the market to achieve them.

This Commission of Audit must not limit its scope to achieving short term gains. While these will no doubt emerge, what is required is structural reform of what government does and how it does it, with a view to driving much needed longer term economic growth and stability.

APPENDIX 1: OTHER GOVERNMENTS' USE OF ICT TO DELIVER SERVICES AND ENGAGE WITH THEIR CITIZENS

International

Netherlands

- One stop shop service for citizens
- Digital services for business
- eProcurement
- integrated key registers system by 2015

Singapore

- iGov- e-Engagement platform for citizens
- G-Cloud computing
- Citizen portal for all government services and transactions and single log-in
- 50 shared systems and services across government (HR, finance and procurement)

Sweden:

- Theme based government web portals
- Electronic authentication infrastructure
- Shared public service and procurement portals
- All government agencies handle invoices electronically

Korea

- Integrated government portal
- Back office integration across government
- Mobile computing

Source: United Nations E-Government Survey 2012

National

Victoria

- Digital engagement with citizens
- Interoperability of services and systems
- Co-production of public services
- Sharing of citizen information between agencies to facilitate service delivery
- Public facing ICT dashboard

New South Wales

- Service NSW: single point of contact for government services
- Cloud First policy
- Open Data policy – used to develop citizen facing applications

South Australia

- Philosophy of co-design, working with industry and stakeholders
- 'Digital by Default'
- Data as a public asset
- Shared solutions and multi-agency approaches
- Move to service based model

Queensland

- ICT project dashboard
- Outsourcing of services
- Service based procurement