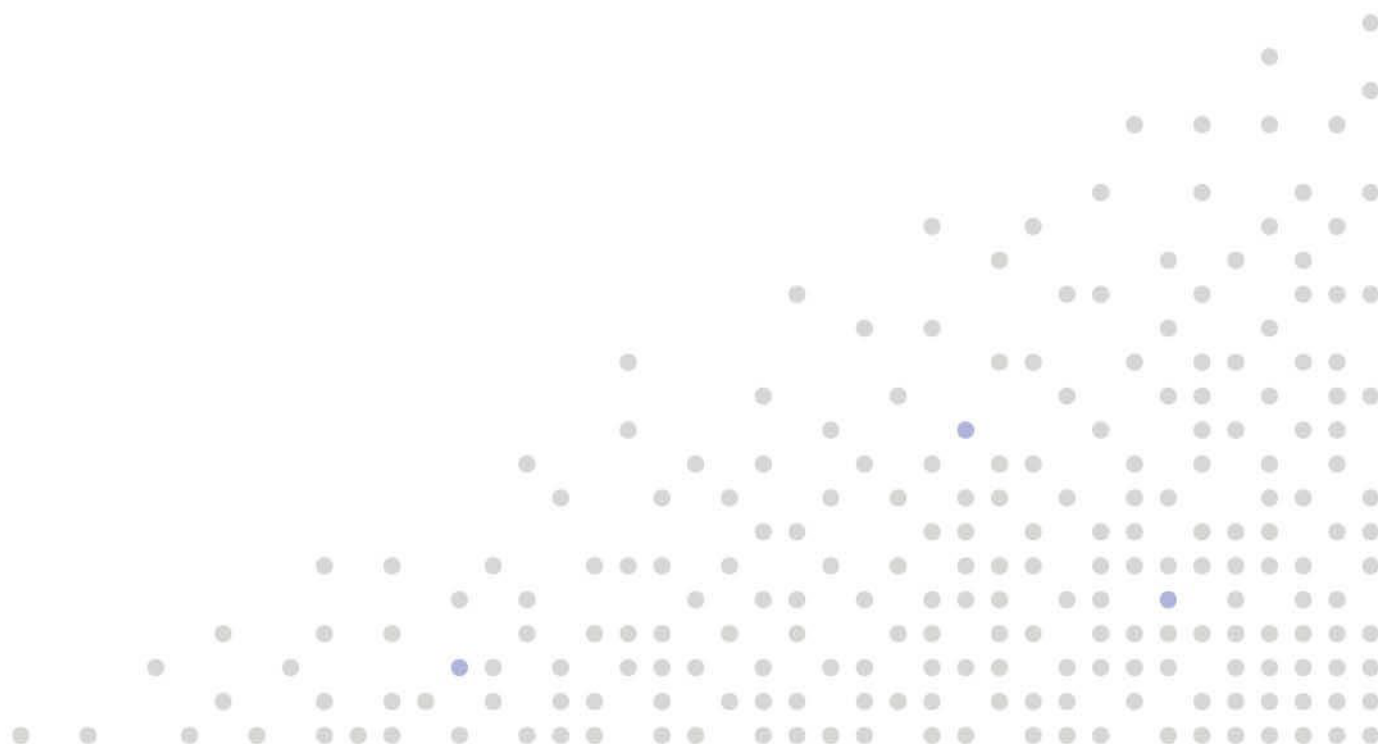**Australian Government**

Department of Finance

Department of Finance

Submission to the
Joint Committee of Public Accounts and Audit

Inquiry into the Failed Visa Privatisation Process and the Implementation of Other Public Sector IT Procurements and Projects

Part one: Auditor-General Report No 12. of 2023-24
Administration of the Parliamentary Expenses Management System

April 2024

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1. Introduction

The Department of Finance (Finance) welcomes the opportunity to contribute to the Committee's inquiry into the processes to develop and implement IT systems in the Australian Government including large-scale IT procurement having regard to issues of capability, culture, probity, policy, systems, and decision making and specifically matters contained in or connected to the Auditor General Report No.12 of 2023-24 Administration of the Parliamentary Expense Management System.

2. Background

The Parliamentary Expense Management System (PEMS) is a secure online portal for parliamentarians and their staff to manage their office and travel expenses and perform HR and payroll tasks. PEMS was delivered in response to recommendation 30 of the *Review into An Independent Parliamentary Entitlements System* to build a fit for purpose, integrated online work expense management system that would replace manual processing and support high quality customer service.

PEMS is an integrated ICT solution that:

- allows parliamentarians and their staff to administer and manage allowances, work expenses and associated services,
- enhances transparency, accountability, and reporting of parliamentarians' expenses,
- enables a digital end to end expense claim process by allowing parliamentarians and their staff to access from anywhere at any time and from any computer or mobile device.

The PEMS project has been delivered in milestones with the final project milestone (milestone 8 or expenditure reporting) successfully deployed in November 2023. This was important achievement, delivering a critical client requirement and resuming transparent reporting of parliamentarians expenses to the Australian public.

The Independent Parliamentary Expenses Authority (IPEA) released the 1 July to 30 September 2022 expenditure reports for current and former parliamentarians in December 2023.

Feedback from users about the expenditure reporting module indicates the function is intuitive and easy to use with many parliamentarians certifying expenses well ahead of the required timeframes.

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PEMS is operating effectively, with all parliamentary expenses, including office, travel and transport, and human resource expenses accurately reflected in Parliamentarians' reports. This is illustrated by the fact that PEMS processed 21,002 office claims, 81,728 travel expense claims (transactions), and 4,042 contracts, 8,713 contract variations, and 324 terminations (ongoing and non-ongoing staff) between 1 July and 31 December 2023.

3. ANAO Recommendations

The Australian National Audit Office (ANAO) report on the Administration of the PEMS was tabled on 24 January 2024 and made two recommendations:

Recommendation no.1 Department of Finance ensures future projects have:

(a) clearly defined and agreed scope and deliverables;

(b) a planned approach to gathering and agreeing user requirements that is followed; and

(c) a process to implement and monitor changes to scope and requirements, including budgetary impacts.

Recommendation no. 2 Department of Finance completes a benefits realisation review by December 2024 to:

(a) track whether PEMS does or will have the future capability to deliver its intended benefits as originally agreed by government; and

(b) establish a process to track and report on the ongoing benefits of PEMS.

Finance welcomes the report and insights shared by the ANAO and has accepted the two recommendations. While Finance is in the early stages of implementing the recommendations, we are undertaking an audit into our approach to delivering complex projects, working closely with the Digital Transformation Agency to ensure major ICT projects are accurately scoped and managed in achievable tranches, with clear identification of the senior responsible official and agreement by the business owner. An assessment of benefits realisation is also underway with consideration being given the whole of government evaluation framework. Noting that the original requirements and forecast benefits for PEMS determined at project commencement will now be reassessed for relevance as the business, technology and operating environment have evolved.

The full implementation of these recommendations will add to the significant body of work the department has undertaken over the past 12 months to strengthen PEMS governance, improve the user experience and address implementation risks.

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Across 2023, new governance arrangements were put in place to improve decision making and risk management. Most notably PEMS is now:

- led by the business owners - Ministerial and Parliamentary Services (MaPS) and the Independent Parliamentary Expenses Authority (IPEA).
- overseen by a Steering Committee comprising members from Finance, IPEA, the Department of the Prime Minister and Cabinet and the Digital Transformation Authority
- supported by a PEMS Management Board with representatives at the First Assistance Secretary and Assistant Secretary level from Finance and IPEA
- supported by regular Working Group meetings to discuss service requests and management of business-as-usual activities.

Finance has also re-established the PEMS User Reference Group, which offers a forum to parliamentarians and their staff to receive updates on the status of PEMS, hear about future system changes, and offer an additional channel for them to provide their user experience feedback. Finance will continue to work with the User Reference Group to ensure the client experience is appropriately prioritised and reflected in the system.
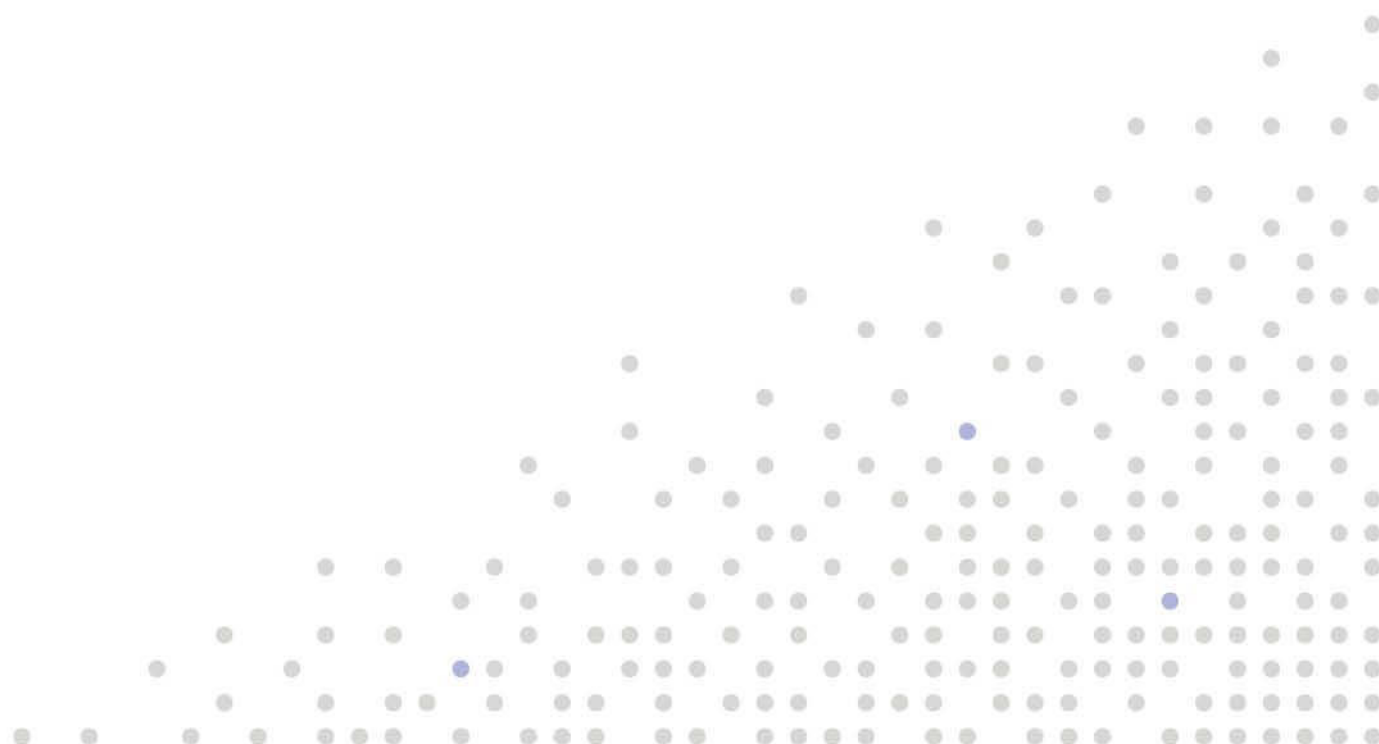
Finally, an enhanced PEMS support team has been established. The team, led by MaPS in close consultation with IPEA, provides training for parliamentarians and their staff to complement the online offerings available.

4. Conclusion

PEMS has been a challenging project to deliver involving complex underlying legislation with a client base operating in a high-pressure and exacting environment under significant levels of scrutiny. The implementation of ANAO's recommendations will add to the body of work the department has undertaken over the past year to strengthen PEMS governance, improve the user experience and address implementation risks. Finance will continue to take a collaborative approach working closely with IPEA and relevant business areas across the department to ensure the ongoing effective delivery of PEMS.

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Submission to the
Joint Committee of Public Accounts and Audit

Inquiry into the Failed Visa Privatisation Process and the Implementation of Other Public
Sector IT Procurements and Projects

Part two: The Australian Government Assurance Reviews process

April 2024

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1. Introduction

The Department of Finance (Finance) welcomes the opportunity to contribute to the Joint Committee of Public Accounts and Audit's Inquiry into the Failed Visa Privatisation Process and the Implementation of Other Public Sector IT Procurements and Projects, in relation to:

- The Gateway Review process administered by the Department of Finance for further assessing certain proposals that meet a high expenditure threshold

2. Australian Government Assurance Reviews Process

The Australian Government Assurance Reviews process (reviews process) was introduced in 2006 to strengthen agencies' governance and assurance practices and improve project and program management capability.

Finance administers the reviews process, however all reviews are conducted by independent review teams comprising people from the public and private sectors. Finance officials are not members of review teams.

The reviews process consists of two forms of assurance:

- **Gateway Reviews** – a series of independent, short, intensive assurance reviews commissioned by Cabinet, usually when it considers a New Policy Proposal.
- **Implementation Readiness Assessments** – independent assessments commissioned by Cabinet (usually when it considers the New Policy Proposal) assisting its consideration of high-risk proposals, particularly where there are short implementation timeframes that would not be suited to Gateway Reviews or the financial threshold for a Gateway Review is not met. New Policy Proposals with this criteria are limited, therefore Finance would usually only recommend an Implementation Readiness Assessment to Cabinet one to two times a year.

Gateway Reviews

Gateway Reviews are a series of short, intensive reviews conducted at critical points during a project's or program's lifecycle. Each review results in a review report with recommendations and an overall delivery confidence rating.

Gateway Reviews are in place to strengthen an agency's existing governance and assurance practices and improve project and program management capability.

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The primary purpose of Gateway Reviews is to support Senior Responsible Officials charged with delivering projects and programs with independent assurance timed for critical points during a project's or program's lifecycle. Gateway Review reports, including Delivery Confidence Assessment ratings[1], are provided to the relevant Senior Responsible Official for the project/program in the entity and, as such, they are taken to be the owner of the report.

One of the primary benefits of Gateway Reviews is that they are undertaken in an environment that allows for the frank exchange of views and sharing of expertise and experience between the Review Team and the Senior Responsible Official and the entity. As a consequence, Gateway Review reports are seen as internal, deliberative documents that inform future decision-making for projects and programs. If there was a desire to make Gateway Review reports public documents that would likely undermine the way in which entities approach the process and ultimately their effectiveness.

Implementation Readiness Assessments

The primary purpose of Implementation Readiness Assessments (IRAs) is to inform Cabinet deliberations. Decisions to commission IRAs are made by Cabinet, usually through the Budget process.

Generally, IRAs are commissioned during the design and development stages of a proposal in order to:

- assess a project's or program's implementation strategy against its specified objectives
- assist to strengthen policy design
- identify areas that may require corrective action
- provide the Government, the responsible minister and the entity Accountable Authority with assurance that necessary implementation planning activities have taken place early in the development phase

IRAs are prepared for Government consideration and the Finance Minister advises the Prime Minister of the findings/outcomes.

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[1] See sections 96 to 98 - Delivery Confidence Assessments for Gateway - *Guidance on Assurance Reviews Process Resource Management Guide No.106* - *https://www.finance.gov.au/publications/resource-management-guides/guidance-assurance-reviews-process-rmg-106*

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Commissioning Assurance Reviews

Assurance reviews are commissioned through Government decision based on advice from Finance, to support the successful delivery of high-cost and high-risk projects and programs satisfying one of the following cost thresholds:

- projects with an estimated total cost of $30 million or more for procurement or infrastructure;
- projects with an estimated total cost of $30 million or more including an ICT component of $10 million; or
- programs with an estimated total cost of $50 million or more.

Department of Defence proposals assessed by Cabinet under the Defence Investment Approval Process are exempt from Gateway. These proposals are subject to Defence's internal assurance process.

3. Enhanced Notification Process

The Enhanced Notification process assists early remedial intervention to occur (by the relevant entity) if a project or program is experiencing significant issues.

The Enhanced Notification process is a staged escalation process involving the Finance Secretary notifying the entity Accountable Authority of significant issues raised by a Gateway review team that may affect successful delivery.

The action required by the Accountable Authority depends on the level of escalation. Triggers for each level of escalation are based on Delivery Confidence Assessment ratings:

- **First level** (one Red or two sequential Amber or Amber/Red ratings): the Finance Secretary will notify the Accountable Authority in writing of issues raised in the Gateway review.
- **Second level** (two sequential Red or three sequential Amber or Amber/Red ratings): the Finance Secretary will notify the Accountable Authority in writing that the issues remain and that an action plan will need to be developed. An independent Assurance of Action Plan Review to assist the sponsoring entity to finalise the action plan may also be recommended.
- **Third level** (three sequential Red or four sequential Amber or Amber/Red ratings) – the Finance Secretary will notify the Accountable Authority that very significant issues

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continue to exist and that an independent review will need to be undertaken to recommend remedial action.

Under the second and third level Enhanced Notification, the Accountable Authority is also required to inform the responsible Minister, the Secretary of the Department of the Prime Minister and Cabinet and the Finance Secretary of actions taken to address issues raised.

4. Interaction with ICT Investment Approval Process and Two Stage Capital Works Approval Process

The reviews process complements the ICT Investment Approval Process and the Two Stage Capital Works Approval Process.

If a program or project is subject to both Gateway and the ICT Investment Approval Process or the Two Stage Capital Works Approval Process, the requirement to conduct Gateway Gate 0 and Gate 1 reviews is not mandatory.

Gateway would only commence after the approval process has been concluded or if the entity opted to participate in reviews during the approval process.

5. Digital and ICT-enabled projects and programs

The Digital Transformation Agency (DTA) is responsible for providing Government with advice and assurance on the delivery of digital and ICT-enabled projects and programs.

The Commonwealth Digital and ICT Oversight Framework (IOF) provides a way for the DTA to support the Government to manage its digital and ICT-enabled investments—from early planning through to project delivery and realisation of planned benefits.

All digital and ICT-enabled proposals subject to the IOF are required to develop and agree with the DTA, a fit-for-purpose Assurance Plan under the Assurance Framework for Digital and ICT-enabled Investments.

The Australia Government Assurance Reviews process has not been designed to provide central oversight of all projects. Supporting the Senior Responsible Official through independent Gateway assurance is a fundamentally different objective to the DTA's oversight function for digital investments. However, there are areas of overlap and complementarity.

In this respect Finance consults regularly with the DTA on assurance planning and scheduling as well as on high-risk, high-cost digital and ICT-enabled proposals.

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Finance advises the DTA if it intendeds to recommend assurance reviews for ICT-enabled proposals and Gateway review teams consult the DTA ahead of undertaking reviews. It is also standard practice for the independent reviewers to interview the DTA to gain insights on relevant initiatives.

Reports from reviews that include an ICT component are shared with the DTA. Finance and the DTA have agreed 'Protocols Governing Access and Use of Gateway Assurance Material'. The Protocols aim to retain the primary purpose of the Gateway Review Process in supporting Senior Responsible Officials charged with delivering projects and programs.

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