Australian Government
Digital Transformation Agency

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Joint Committee of Public Accounts and Audit

Inquiry into contract management frameworks operated by Commonwealth entities

Digital Transformation Agency (DTA) Submission

Introduction

The Digital Transformation Agency (DTA) welcomes the opportunity to provide a submission to the Joint Committee of Public Accounts and Audit (JCPAA) inquiry into the contract management frameworks operated by Commonwealth entities.

The DTA's purpose is to provide digital and ICT strategy and policy leadership, investment advice, strategic sourcing, and delivery oversight to drive the Australian Government's digital transformation and deliver benefits to all Australians. Our role directly supports the Government's Data and Digital Government Strategy and its vision to deliver simple, secure and connected public services for all people and business through world class data and digital capabilities.

The DTA works with Australian Government agencies and stakeholders throughout the 'digital lifecycle'. This starts with early engagement, to help agencies to plan their future digital transformations, through to the delivery of new digital capabilities and innovations and their eventual integration into their business-as-usual arrangements.[1] With the speed of digital transformation and innovation evolving at pace, and digital solutions being integral in how governments' deliver outcomes, effective engagement between buyers and external sellers is key to the Australian Government's digital transformation success.

The JCPAA's inquiry occurs at a point of transition for the DTA. Using previous recommendations by the ANAO and lessons learned, the DTA is undertaking several reforms to strengthen procurement and contract management and to maximise the benefits that procurement of new digital capabilities and innovations offer.

The focus of this submission is on DTA's role as the Australian Government advisor for the development, delivery and monitoring of whole-of-government strategies, policies, and standards, for digital investments and procurement. It should be read in conjunction with the detail the DTA provided to a Senate Finance and Public Administration Reference Committee on supporting the development of sovereign capability in the Australian technology sector. The latter submission provides additional background about the DTA's role in the Commonwealth Procurement Framework, and the whole-of-government policies and guidelines on digital and ICT procurement under the Digital Sourcing Framework.[2]

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[1] The 'digital lifecycle' refers to the six states of the Australian Government's Digital and ICT Investment Oversight Framework (Strategy, Prioritisation, Contestability, Assurance, Sourcing and Operations). See Attachment A.
[2] Digital Transformation Agency Submission into the Senate Finance and Public Administration Reference Committee *Inquiry into supporting the development of sovereign capability in the Australian tech Sector*.

Background

The DTA is responsible for the Australian Government's Digital and ICT Investment Oversight Framework (IOF). The 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.

Through the IOF, the DTA structures support to government buyers at different states of the 'digital lifecycle'. Key points of DTA engagement occur:

- during earlier development of new digital solutions, whereby agencies collaborate with the DTA to identify, develop, and implement investments in line with government standards (States 1, 2)
- through early consultation with the DTA to align investment proposals with digital and ICT policies and best practices when funding decisions are considered (State 3)
- by streamlining the procurement process through the establishment and ongoing maintenance of trusted panels with pre-approved sellers and access to standard contract terms and conditions (State 5)
- through ongoing engagement with Senior Responsible Officers managing delivery of their projects and procurements (State 4).

Through states 1 to 4, the DTA assists agencies primarily by crafting government guidelines (like Digital Sourcing Policies), creating standards, and providing governance instruments (Assurance) that lay the foundations for successful delivery during implementation.

The DTA uses its central role to gather insights, continually improve, and disseminate best practices in management for agencies to follow during their own digital transformations.

Acknowledging the impact and importance of suppliers of digital products and services in the development and design of governmental services, procurement (state 5) is critical in enabling successful outcomes. As the overseer of major digital panels, the DTA dedicates significant resources to ensure buyers can be confident in the sellers they engage with through the DTA's platform and panel arrangements.

Digital Sourcing Policies

The DTA is responsible for several policies which support procurement and contract management by Commonwealth entities.

- The Digital Sourcing Contract Limits and Reviews Policy is designed to increase opportunities for competition and create more value for government while de-risking large digital programs by segmenting them into more manageable contracts. The principles of risk management, competition, and flexibility are directly connected with smaller arrangements, ensuring effective project delivery and contract management. Decreasing the size of such projects increases market access for businesses of all sizes and enables flexibility to respond to changing strategic direction and emerging technologies.

- The Digital Sourcing Panels Policy assists in the management of expertise and governance arrangements, making them a useful tool for project delivery. This policy provides a framework for establishing and using panels of sellers to streamline procurement processes and ensure consistent quality and efficiency in contract management.

- The Digital Sourcing Consider First Policy and Digital Sourcing Fair Criteria Policy promote efficient and fair procurement processes that underpin effective contract management. These policies ensure that procurement processes are conducted fairly and transparently, promoting accountability and trust between buyers and sellers

These policies support best practice by Commonwealth entities when sourcing digital products and services and serve as key components within the context of broader Commonwealth contract management frameworks. Policies like the Contract Limits and Reviews require regular review of the value for money provided by sellers, even if extensions are sought, so buyers do not 'set and forget' procurements. The policy requires that contract extensions can only be exercised after a review of seller performance and deliverables.

All new policy proposals that include a digital sourcing component are also assessed against the Digital Sourcing Framework prior to Government consideration in the Contestability state (State 3). This assessment ensures that agencies consider a sourcing strategy that encompasses best practice principles.

Assurance of Digital Investments

The Assurance Framework for Digital and ICT Investments was introduced in November 2021 as part of wider reforms to support the success of the Australian Government's digital investments.[3]

The framework requires that investments carefully plan for assurance to maximise the value good governance creates in supporting sound decisions during implementation. As part of this planning process, the DTA works with agencies to ensure that regular assessments of delivery confidence are undertaken.

Given the vital role that digital sellers play in delivering many digital projects, assessments of delivery confidence often consider seller performance. Insights from across these assessments are informing the DTA's work and can be seen in:

(1) the design of the DTA's Digital Marketplace Panel 2 which includes a new Performance Management Framework as part of a strengthened focus on capturing feedback, both positive and negative, to inform future purchasing decisions by agencies.

(2) work to strengthen benefits management practices including through the launch of the Benefits Management Policy (BMP). This policy is key to ensuring that decisions throughout the life of a project support the realisation of expected benefits. This includes decisions relating to digital sellers such as when measuring performance and exercising an extension option on contracts.

(3) work we're undertaking to build commercial acumen as part of a wider training program for Senior Responsible Officials (SROs) for digital projects. This includes undertaking procurement activities effectively as well as managing instances of seller underperformance.

Panel arrangements and strategic planning

Although contract management is present in every aspect of the digital lifecycle, the Sourcing State (State 5 of the IOF) develops and implements contracting frameworks to ensure government has access to value for money digital and ICT-enabled marketplace panels.

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[3] https://www.dta.gov.au/help-and-advice/digital-and-ict-investments/assurance

As custodians of BuyICT, which includes the Digital Marketplace Panel, the DTA's Digital Sourcing Branch is responsible for managing the overarching agreements with sellers on panels and the contracting arrangements to ensure that the arrangements are value for money, improve protections, and promote innovative solutions for our government buyers.

In response to previous ANAO recommendations and advice, the DTA has several processes to manage potential concerns raised around probity, conflicts of interest, and seller performance. This includes vetting a wide range of sellers, while also supporting buyers through the process to approach multiple sellers, to reduce potential risks around direct sourcing. To manage panel arrangements, the DTA's Contract Management Plan and associated work processes support buyers to develop their own contract management plans through governance arrangements, record keeping and performance monitoring. [4]

Governance processes

The sellers approved for our panels and arrangements are monitored for compliance with Commonwealth Procurement Connected Policies, Head Agreements and BuyICT usage policies. This combination of legislation, rules and policies set the expectations, activities, and roles of the governance team.

As part of this compliance framework, due diligence checks review the seller's compliance at the time of application against the panel agreement, and can include:

- Insurance monitoring
- seller financial viability
- Indigenous Procurement Policy
- Shadow Economy Policy (Statement of Tax Record)
- Australian Government Small and Medium Enterprise (SME) Guarantee Scheme
- benchmarking
- Workplace Gender Equality
- Australian Industry Participation Plan
- Modern Slavery

As part of DTA's governance requirements, sellers' insurance certificates must have appropriate limits and coverage to comply with requirements specified under each agreement. This insurance information is reviewed annually prior to expiry.

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[4] Sourcing Guidance - BuyICT

The DTA notifies buyers of sellers' insurance information when receiving quotes through BuyICT.gov.au so buyers have the level of information required to evaluate the sellers appropriately.

To ensure compliance in line with the Risk Framework, a Risk Register is also maintained. This register provides detailed instructions on best practice to conduct assessments and the risk escalation process and assigns a unique reference number to every risk identified, records the risk owner, date the risk was recorded, and categorises the risk, among other details.

The DTA also provides buyers and sellers guidance to develop their own contract management plans, including relevant clauses in our panel agreements and contract templates to help ensure best practice for contract management.[5] For buyers contracting outside the panel arrangements, the DTA provides model contracts and a clause bank to use when contracting for Digital and ICT services or products.

Record Keeping

The record-keeping practices adopted by the DTA for its arrangements and marketplace panels are designed to improve transparency, compliance, and efficient management of information related to digital sourcing activities within the Australian Government.

Strict probity requirements and the management of conflicts of interest form a key part of the DTA's effective management of its marketplace panels and arrangements.

When conducting tenders to establish a new marketplace panel or refresh existing panel arrangements, the DTA implements strong record keeping practices to meet probity requirements. For the Digital Marketplace Panel 2 tender (currently underway), the DTA created a new inbox for email contacts, a new SharePoint site accessible only by relevant stakeholders, and implemented records management documentation that was regularly updated to verify access. This ensures probity is maintained and recorded for the tender process.

The BuyICT platform has been designed to have a clear and accountable audit log. When new tender applications are conducted using the BuyICT platform, the following information is recorded by users who have permission to view the tender records submitted by prospective seller:

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[5] DTA Guidance to buyers and sellers on developing contract management plans

- Enhanced Logging Detail: The system logs each instance a DTA user viewed a tender application form, including the timestamp of access, the user's identity, and the specific application form viewed. This creates a detailed audit trail of application data access and ensures it is covered by an approved support case.

- Accessing Applications Lists: A log is created whenever DTA users view lists of application records, and an alert is sent to the Sourcing Platforms leadership team in near-real-time. This helps track who is viewing application data and maintains the integrity of the process.

- Activity Logging: Specific user actions within the system are logged to provide a comprehensive record of activities, enabling visibility of activities that could potentially expose application details or indicate unauthorised access.

The primary goal is to maintain a secure and transparent tender application process by closely monitoring user interactions with sensitive data, and restricting access to only those people that are key stakeholders.

Buyers and sellers are encouraged to keep accurate records of their own procurement activities. The tools available include:

- A live dashboard displaying their live procurements and contracts which gives buyers the ability to assign team members to workflows, and track the progress of their work

- Automated processes that enable buyers to fulfill compliance, record keeping and accountability guidelines, including new hires

- Guided workflows for users for digital Request for Quotes (RFQ) and contract forms, marking off completion to help keep the user on track

- Seller compliance reminders provide sellers with regular reminders and the ability to clarify with DTA the compliance documents they are required to provide (e.g., Statement of Tax Record from the Australian Taxation Office), improving integrity and transparency in the panel

- Insights Page: Agencies can access statistics and analytics for reporting requirements through the insights page on BuyICT, with data-driven insights from each of the panels that can be filtered according to need

- Audit Log: BuyICT maintains an audit log of procurement activities, such as edits to a live RFQ, logged and displayed in the change history, detailing changes made and the user responsible.

These features help ensure that agencies can maintain accurate and compliant records in line with Australian Government procurement activities and regulations.

Performance Monitoring

The DTA monitors seller and buyer performance through several mechanisms, including:

- Regular feedback surveys: The DTA conducts online surveys for both sellers and buyers to collect feedback on their experiences with BuyICT. This helps measure satisfaction levels, identify pain points, and suggest areas for improvement.
- Reports and Insights: Our reports and insights page offer a monthly update with panel information, such as the number of; approved sellers, opportunities posted, contracts awarded and contract values.
- Reporting and analytics: The DTA provides reporting and analytics capabilities for both sellers and buyers to track their procurement activities and outcomes.
  - Sellers can view their profile statistics, such as the number of views, downloads, and applications they receive
  - Buyers can generate reports on their procurement history, such as the number of RFQs (Request for Quote) issued, the value of contracts awarded, and the feedback ratings received from sellers.
- Complaints and dispute resolution: The DTA has a complaints and dispute resolution process that allows sellers and buyers to raise issues or concerns about BuyICT. The DTA aims to resolve complaints and disputes in a timely, fair, and transparent manner, and to use learnings to improve the platform and processes. The DTA collaborates with the Commonwealth Ombudsman and the Australian Small Business and Family Enterprise Ombudsman to handle escalated complaints and disputes.

These mechanisms ensure that BuyICT delivers value for money, quality outcomes, and positive user experiences.

Single seller arrangements

Alongside our panels, the DTA is responsible for managing the Single Seller arrangements for Microsoft, AWS, IBM, Rimini Street, Oracle, and SAP on behalf of the Australian Government. These arrangements are only considered when there is an overwhelming value proposition to the Commonwealth. Value is assessed through the lower pricing and management costs of aggregating existing large-scale purchasing by individual agencies under a single head contract arrangement.

These arrangements have dedicated contract managers who coordinate and manage relationships with sellers and buyers and provide support to users of the arrangements.

These arrangements have individual contract management plans which outline key compliance, reporting and engagement activities to be undertaken over the life of the contract.

Regular reviews of the arrangements are conducted to better understand usage, value for money / benefits, and pain points. This research informs improvement initiatives and requirements for future iterations of the arrangements. Regular user surveys and contract reviews are also performed.

Prior to contract expiry, a more comprehensive contract review and discovery process is undertaken to deep dive on user issues, insights, and contract usage, to evaluate the operating environment, government and market landscape and measure benefits delivered under the agreement. This information informs options and requirements for future iterations of the agreements and ensures that single seller arrangements continue to be aligned with the strategic needs of Government.

Future steps

The way in which the DTA supports buyers and sellers continues to evolve as the maturity of the IOF increases. Some reforms, including benefits management and work in progress on seller underperformance, reflect lessons learned by the Australian Government and other buyers since the IOF was introduced in late 2021.

Similarly, lessons learned are informing the next generation of the digital marketplace panels and refinements that will create better outcomes for buyers and sellers. For example, the new Digital Marketplace Panel 2, to be launched in October 2024, will:

- be open multiple times per year, to allow the DTA to manage the panel effectively, and ensure all applications are assessed with due diligence and fairness. The panel agreement also includes an annual price review mechanism
- offer an improved catalogue experience on BuyICT.gov.au to make it easier to find Small and Medium sized Enterprises (SME) and Indigenous Businesses
- provide a new panel agreement that limits the need for extensive negotiations and will enable the DTA to consolidate its other panels into the Digital Marketplace Panel in future
- promote more equitable practices in BuyICT.gov.au to support and improve SMEs and Indigenous Businesses accessing government business through in-platform nudges to inform better practice buying.

The DTA is also actively working with agencies to derisk their digital transformations. A key strategy that DTA is promoting across government is the breaking down of larger projects into smaller modules. This approach allows agencies to avoid committing to long-term procurements with single sellers, and instead, test and evaluate different solutions and providers on a regular basis. Smaller modules can reduce risk, increase accountability, and create more opportunities for smaller sellers to participate in the digital service market.

The DTA remains committed to leveraging its position throughout the digital life cycle to disseminate and refine governance, documentation, and delivery methodologies, and looks forward to working with the Committee on any findings that might enhance contract management across the Australian Government.

Australian Government
Digital Transformation Agency

Attachment A   dta'

The Australian Government Digital and ICT Investment Oversight Framework (IOF)

A governance framework for the management of the Australian Government's digital investments across the project lifecycle.

Phase	Pre-budget		Budget	Implementation		
State	**1 Strategic Planning** Defines direction for the Government's digital and ICT-enabled investment portfolio, its future objectives and identifies capability gaps.	**2 Prioritisation** Prioritises, plans and advises on investments that align to the strategic direction.	**3 Contestability** Ensures proposals are robust and meet whole-of-government digital standards prior to government consideration.	**4 Assurance** Provides assurance to government that projects are on-track to deliver expected benefits.	**5 Digital Sourcing** Provide strategic sourcing advice and deliver value-for-money arrangements to simplify procurement of digital goods and services.	**6 Operations** Underpins effective decision making by providing information and analysis on the operations of the Australian Government's digital and ICT landscape.

Overview	• **What?** Sets the vision for the direction of Public Sector digital investments to effectively deliver services and outcomes for the benefit of Australians including the Data and Digital Government Strategy (DDGS).
	
	• **How?** Entities' align their digital transformation plans with the DDGS.
	
	• The Australian Government Architecture (AGA) and the government's digital policies support the outcomes of the DDGS through clear requirements and guidance to entities. This encourages standardisation, increases the reuse of common capabilities and supports the effective design and investment in modern digital capabilities. The AGA also feeds into the prioritisation and contestability stages of the IOF.
		• **What?** The DTA maintains visibility of the short, medium and longer-term pipeline of proposed digital investments. Better visibility improves planning across Government, helps to identify capability gaps and future risk, identifies how potential future investments might leverage previous investment (in existing technology and patterns), and how investments align with the DDGS.
		
		• **How?** A pipeline of investments is determined from data collected from entities on their proposed longer-term digital and ICT requirements and investments and the application of the AGA.
		
		• Six criteria are used to assess and prioritise digital and ICT investment proposals on their intended benefits and their contribution to digital and ICT strategic outcomes.
			• **What?** The DTA works with entities to ensure that digitally-enabled proposals being brought forward by their respective Minister for Cabinet consideration:
			  – are robust and of a sufficient standard to be considered by Cabinet; and
			  – demonstrate alignment with whole-of-government digital and ICT policies and standards.
			
			• **How?** DTA works with entities to understand their business cases and complete the Digital Capability Assessment Process (DCAP) prior to ERC consideration.
			
			• Entities must provide the DTA with all necessary information at least 6 working days prior to the release of an Exposure Draft, lodgement of a short form paper, or submission to the Prime Minister.
			
			• The DTA provides advice to entities on whether digitally-enabled proposals are subject to the ICT Investment Approval Process (IIAP) which is for high cost and high-risk proposals.*
				• **What?** During the investment's delivery, the DTA is responsible for providing Ministers and other key stakeholders with confidence that funded digitally-enabled investments will achieve their objectives.
				
				• **How?** Once the Government has agreed to a digitally-enabled investment, the DTA's Assurance Team engages with the delivery entity to ensure agreed assurance arrangements included in the submission (via DTA-agreed Assurance Plans) are implemented, and to monitor assurance activities and their outputs:
				  – For the government's flagship digital investments, the DTA is a member of the relevant investment's governance board.
				
				• The DTA also feed insights and lessons learned into the planning and prioritisation of digital investments.
					• **What?** The DTA provides strategic sourcing advice and delivers value-for-money arrangements to simplify the procurement of digital goods and services.
					
					• **How?** Through www.buyict.gov.au which has been specifically designed to support the government's ICT procurement needs.
					
					• Four digital sourcing policies govern the procurement of ICT goods and services to support best practice.
					
					• Seven single-seller arrangements are in place with strategically identified sellers (e.g., Microsoft). These agreements deliver savings to government by aggregating Australian Public Service demand.
					
					• Six panels/marketplaces exist for the procurement of a range of digital products and services. These have been assessed against relevant procurement criteria and government policy, saving buyers time and resources.
						• **What?** Regular analysis of the Australian Government's digital and ICT landscape informs and enables each state of the IOF.
						
						• **How?** The DTA routinely collects data from Australian Government entities regarding their digital and ICT arrangements, and augments this with other datasets to create rich insights.
						
						• This data provides intelligence and longitudinal analysis on the size, health, and maturity of the Government's investment portfolio. This also includes collection of information relating to:
						  – Adoption of emerging technology and trends.
						  – Reuse and shared capabilities.
						  – Personnel allocation, skills demand, and workforce pressures.
						  – Profile balance between innovation, growth, and maintenance investment.

Advice the DTA provides	• **Who?** The DTA provides advice to Government on the future direction of investment in digital capabilities in the public sector to support the government's digital objectives.
	
	• This advice includes analysis on the key areas of opportunity, risk, duplication, alignment to digital policy priorities and potential gaps in investment/capability across the public sector digital landscape.
	
	• Several key forums including Secretaries' Digital and Data Committee (SDDC), the Digital Leadership Committee (DLC), and the Australian Government Architecture Content Advisory Forum are consulted to support and implement the development of the Government's DDGS.
		• **Who?** Entities engage with the DTA prior to the beginning of the Budget process to identify proposed investments.
		  – Portfolio Chief Financial Officers are responsible for the coordination of pipeline data
		  – Chief Information Officers provide information relating to longer-term strategic planning within entities.
		
		• The DTA compiles a Digital Investment Overview (DIO) that prioritises the digital priorities coming forward as part of the budget process. The prioritisation process also develops a multi-year Integrated Digital Investment Plan (IDIP) that provides SDDC with visibility and strategic long-term advice on future investments.
			• **Who?** The rules underpinning the delivery of the annual Budget requires entities to consult with the DTA early in the development of digitally-enabled proposals to obtain the DTA's approval that it aligns with digital and ICT policies and standards before it can be brought forward for consideration.
			
			* For proposals subject to the IIAP, this generally requires entities to provide the DTA with draft business cases at least 7 weeks prior to the Cabinet consideration date, and final business cases at least 1 week before circulating the Cabinet Submission for coordination comments.
				• **Who?** The DTA supports Senior Responsible Officers of key digital projects via the project's governance board.
				
				• The DTA provide regular and reliable information on the condition of major investments to the Minister for Finance, SDDC and DLC. We also feed insights and lessons learned into the entity planning and prioritisation of digital investments.
				
				• Where required, the DTA will escalate instances where digital investments are at risk, including providing advice to the Minister for Finance and the relevant lead Minister to support early decisive action to recover investments at risk of not delivering the expected benefits.
					• **Who?** The DTA provides digital sourcing advice and support to around 300 government organisations and over 3,900 sellers (April 2023) on a broad range of ICT procurement matters from simple to complex.
					
					• The DTA provides advice on the application of the digital sourcing policies, and also manages the process for policy exemptions for contracts exceeding either the $100M value limit or 3-year term limit of the Digital Sourcing Contract Limits and Reviews Policy.
						• **Who?** The data collected gives an important evidence base for advice provided to aspects of the Australian Government's decision-making bodies and processes.
						
						• This advice provides context for SDDC and DLC regarding the Australian Government's digital and ICT investment portfolio.
						
						• It informs the Australian Government Architecture to validate current direction based on the effectiveness of its application and inform future guardrails for best technology implementation.
						
						• It also informs all states of the IOF, from planning and policy development, through the Budget process and subsequently the DTA's assurance activities.
						
						• The DTA also provides adhoc analysis for Australian Government agencies to inform their ICT investment decisions and support policy-making.