Australian Government

Department of Employment and Workplace Relations

Submission to the Joint Committee of Public Accounts and Audit inquiry into IT procurement and projects

Department of Employment and Workplace Relations

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Background

The Department of Employment and Workplace Relations (the department) thanks the Joint Committee of Public Accounts and Audit Inquiry (JCPAA) for the invitation to provide a written submission into the Procurement of the Permissions Capability (the Inquiry).

The department notes the recently expanded terms of reference[1] and welcomes the opportunity to provide its experience and learnings from delivering and managing digital services across a number of significant policy reforms.

The department encourages a culture of innovation and continuous improvement and strives to apply best practice in managing complex IT projects, ensuring we learn from when things go wrong.

Our purpose is to support people to have safe, secure and well-paid work with the skills for a sustainable future. The department has taken opportunities to reflect from previous unsuccessful delivery outcomes and has sought to continually learn and adapt so that its processes are robust, contemporary and fit for purpose.

The department has established controls which align to endorsed whole of Government (WoG) frameworks, assurance processes and direction. These include the Data and Digital Government Strategy[2], Commonwealth Procurement Rules[3] and the Digital and ICT Investment Oversight Framework[4].

This financial year the department has a combined digital delivery portfolio of $205m, delivering policy reforms for job seekers, apprentices and education providers. Successfully delivering these reforms requires a balanced approach of using in-house talent, labour hire expertise and out-sourced vendor arrangements.

The DEWR ICT network hosts a number of portfolio and client agencies, such as the Department of Education, Jobs and Skills Australia, Fair Work Ombudsman and the Australian Skills Quality Authority, who are supported by our centralised ICT procurement function.

Most ICT procurement activity is for transactional services such as hardware, telecommunications, networking, software and specialist contractor/service arrangements. Over the period 1 March 2023 to 29 February 2024 the department processed over 500 individual procurements totalling approximately $200m.

The department has demonstrated the ability to effectively deliver digital services and support other agencies' digital services. Internal digital services range from the Workforce Australia IT System, VET Student Loans system and the Unique Student Identifier. The department also provides a range of digital services for the Department of Education as well as the Department of Social Services' Disability Employment Services and National Indigenous Australians Agency's Community Development Program.

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[1] JCPAA Inquiry into the Procurement of the Permissions Capability Terms of Reference
[2] Digital Transformation Agency Data and Digital Government Strategy
[3] Department of Finance Commonwealth Procurement Rules
[4] Digital Transformation Agency Digital and ICT Investment Oversight Framework (IOF)

What we've learned

In response to the Inquiry's Terms of Reference, namely *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*, the department can provide the following 4 key reflections to the Inquiry.

1. Set clear outcomes from digital investments

In addition to following endorsed WoG practices like the Digital and ICT Investment Oversight Framework (IOF), the department has further refined its internal investment and decision-making processes to better prioritise measures brought forward to Government and rationalise its investment pipeline.

Spending time during policy development to design and plan potential digital investments has proven essential in clearly articulating the outcomes, scope and implementation of any reform.

Our Digital Solutions Division continues to improve its co-design practice between IT and policy areas to better balance policy, business, technology and user needs. Doing so provides a higher degree of confidence in the department's capacity to deliver successful outcomes.

Setting clear expectations with government and our policy areas helps us better track the effectiveness of delivering the department's policy outcomes. Tracking an agreed outcome and using an iterative delivery approach allows the department to regularly measure progress towards our stated goals. This also provides decision makers with frequent opportunities to course correct and manage emerging risks based on regular feedback.

Recent Department of Finance Gateway Reviews[5] have echoed the department's internal lessons on getting the process right. These include:

- early engagement, user research and partnering with stakeholders, including a focus on First Nations and vulnerable people
- partnering with key stakeholders including providers and opportunities to provide input using governance arrangements
- policy proposals for the delivery of digital services and products to include budget allocations beyond the development phase and ensure funding is allocated for ongoing sustainment and user-led improvements
- ongoing funding to allow for developing policy settings to be reflected in the system
- ongoing stakeholder engagement, following initial delivery, that results in user-informed enhancements to the system.

2. Apply effective and appropriate delivery governance

The department applies a number of policies, processes and frameworks to successfully deliver Government priorities. These include endorsed WoG approaches like the Digital Service Standard[6] and the Service Design and Delivery Process[7] which lay out clear requirements for designing and

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[5] Department of Finance Gateway Review Process
[6] Digital Transformation Agency Digital Service Standard
[7] Digital Transformation Agency Service Design and Delivery Process

delivering successful digital services. In addition, internal project management and digital delivery frameworks that promote a common approach to delivery across the department are enforced.

The department has learnt that successful delivery requires a coordinated effort between internal business, policy and IT areas, clear accountability for decisions and direct escalation points for project risks. The department's governance reflects its continued refinement of getting the right people working together to achieve project outcomes.

The department applies clearly articulated stage gates across all our IT projects from concept to closure. These stage gates lay out clear criteria for project progression and completion to ensure IT projects maintain acceptable delivery hygiene, monitor progress towards agreed outcomes and regularly measure project health.

Two recent large scale IT projects, namely Workforce Australia and the Apprenticeships Data Management System (ADMS) demonstrate the success of its approach.

Workforce Australia

The Workforce Australia model was a significant and complex reform. A digital platform was an integral part of delivering Workforce Australia in July 2022.

Outcomes of these activities, including the two online delivery trials, informed Workforce Australia, an online service delivery model for job ready participants. The Workforce Australia digital platform was designed and built to enable continued policy reform to meet future needs and Government priority.

The department implemented internal mechanisms to progress the build of the new Workforce Australia system, including appointing a dedicated Senior Responsible Officer (SRO) with overall responsibility for the successful delivery of the project. The SRO played a critical role to ensure policy, ICT teams and other stakeholders were aligned and working towards common goals. The department also established a centralised program office to lead the work program and ensure all delivery streams remained aligned and on track. The department's other strategies included:

- harnessing the use of trial outcomes and feedback from stakeholders to inform product requirements
- establishing minimum acceptance criteria to help identify the delivery of tasks in line with the agreed priorities
- adopting the use of program increments and Agile methodology to design, build and test the system incrementally
- reporting to monitor and track progress, and keeping stakeholders informed.

The Workforce Australia project was delivered in a challenging working environment which included the COVID–19 pandemic, changing labour market and natural disasters. In addition to the usual risks that arise when delivering a large-scale IT project, the project was affected by the:

- project's scale and complexity
- only the first of three anticipated build and funding tranches was approved
- resourcing challenges in the project and across the public service as a result of COVID

- delayed agreement to policy priorities and finalisation of legislation necessary to support the rollout of the new service.

The department agreed in part or in full to the 3 recommendations made by the Australian National Audit Office (ANAO) in the recent Audit of the Establishment of the Workforce Australia Services Panel[8]. The audit identified delays in the implementation of the IT system to support procurement activities. The related recommendation, Recommendation no.2 and response, included at 3.71 and 3.72 state:

> 3.71 The Department of Employment and Workplace Relations strengthen its procurement planning activities, including by ensuring evaluation processes are sufficiently developed prior to the release of tender documentation and testing that new IT systems are fit-for-purpose before implementation.

> 3.72 The Department agrees it is best-practice for evaluation processes to be developed prior to release of approaches to market, including testing of IT systems for fit-for-purpose status, and will seek to influence decisions of government regarding resourcing and timeframes impacting on these matters.

The department is strengthening its ability to integrate individual stakeholder engagement, IT delivery and procurement activities through better governance and visibility of delivery progress.

Despite these challenges the department demonstrated the ability to effectively communicate and manage the Workforce Australia project on time and under budget.

Apprenticeships Data Management System

Another example is the recent successful delivery of the Apprenticeships Data Management System (ADMS) which took learnings from a previous unsuccessful attempt to modernise the Training and Youth Internet Management System (TYIMS), the system used to support delivery of Australian Apprenticeships Programs.

ADMS was built to modernise the ageing TYIMS, addressing shortcomings in governance, vendor engagement/management, delivery approach, and stakeholder engagement that had arisen over time and attributed to the failure of both TYIMS and the previous modernisation attempt. ADMS incrementally replaced the existing system through an Agile methodology. With each release, the project further matured, taking on lessons learnt and improvements that a dedicated Change Management Office proactively sought from stakeholders.

In addition to this Agile release approach, business subject matter experts began working alongside the IT Agile delivery teams. An SRO model was implemented, supported by a dedicated Change Management Office, Project Manager and Product Manager. This resulted in increasingly successful releases, with external stakeholders acknowledging the benefits ADMS had created for them.

The department also welcomed the recent Auditor-General's Report relating to the Design and Implementation of the Australian Apprenticeships Incentive System (Incentives System)[9].

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[8] Australian National Audit Office Audit of the Workforce Australia Service Panel
[9] Australian National Audit Office Audit of the Australian Apprenticeships Incentive System

In its report, the ANAO recognised the role ADMS plays in supporting the implementation of the Incentive System by maximising automation of key processes, minimising manual interventions, and incorporating appropriate controls that ensure integrity in the processing of applications and payments.

The department agrees with the one ANAO recommendation to develop complementary performance measures and targets for the Incentives System that provide a clear view of the program effectiveness and the extent to which the program objective is being achieved. While the recommendation does not relate to ADMS itself, the enhanced data capabilities introduced through ADMS, particularly the ability to collect a greater range of data on the Incentives System and trends in the broader apprenticeship sector, ensures that the department has the data required to implement this recommendation.

Recent Department of Finance Gateway Reviews have highlighted the success of the department's approach. Common feedback across a number of "green" Gateway Reviews have attributed the department's successful project delivery to having:

- a dedicated Senior Responsible Officer with independence from policy and technical delivery

- a robust and practical implementation of Agile delivery in a government context

- a stable leadership team and continuity of key senior executives

- in-house development of the solution

- the co-location of business subject matter experts with IT delivery teams

- a heavy investment in change management

- targeted and effective stakeholder engagement

- embedding independent assurance oversight and review processes as standard on tier 1 projects

- impartial panel arrangements

- strong governance and risk management.

Working with external delivery partners is an important lever for managing the shifting level of demand for digital delivery. However, outsourcing IT delivery to external vendors does not remove the need for strong internal governance. Further, outsourcing delivery introduces new risks to be managed, specifically contract management, progress visibility and the rigidity of scope. The department's current delivery frameworks and internal processes actively support supplementary delivery approaches while ensuring that clear lines of accountability for project outcomes are maintained within the department.

3. Safeguard organisational knowledge

In line with the APS Strategic Commissioning Framework[10], the department recognises the critical importance of building and maintaining an enduring in-house IT capability to lead, deliver and govern digital delivery.

The department invests in uplifting its digital capability across ICT, business and policy areas through active participation in WoG initiatives like the Australian Public Service Commission's APS Digital Profession[11]. These programs are essential in embedding enduring capabilities within the department to apply the digital skills, methodology and technology to design, build and/or maintain digital government products and services.

Safeguarding organisational knowledge through established internal business continuity practices is important to build reusable and scalable IT solutions. This approach supports a consistent policy and product vision to drive forward investment opportunities to meet the evolving needs of Government and the Australian community.

The ADMS project was successfully delivered through in-house development in March 2024 and the new IT system has transformed the delivery of the Australian Apprenticeship programs by engaging directly with apprentices and employers, streamlining the system process, improving data capabilities, particularly the ability to collect a greater range of data on the Incentives System itself, as well as the broader apprenticeship sector and the secure exchange of this data with State and Territories.

A December 2023 Department of Finance Gateway Review into ADMS found an overall delivery confidence of green, meaning "that successful delivery of the program to time, cost, quality standards and realisation appears highly likely and there are no major outstanding issues that at this stage appear to threaten delivery significantly."

The Gateway report summarised that: "…[t]he total financial and economic benefits to end FY 2025/26 are estimated at $430m. The estimated benefits to costs ratio (BCR) to end FY 2025/26 is 3.2, which clearly demonstrates the delivery of value for money of ADMS and the broader program of work".

The department has used the successful structure of the ADMS project as the standard for new digital investments in Skills, Education and Employment programs. Learnings from ADMS are also being used more broadly with external agencies to support successful delivery in Government.

As a result of the department's ongoing improvements we are noting an increasing number of "green" Gateway Reviews across our large IT projects. The department will continue to build the digital delivery capability of the APS and apply its processes to new ICT projects it is asked to deliver both internally and for partner agencies.

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[10] Australian Public Service Commission APS Strategic Commissioning Framework
[11] Australian Public Service Commission APS Digital Profession

4. Invest in a mature and enduring ICT procurement function

The department has a mature, centralised and enduring ICT procurement function that supports the delivery of ICT through an in-house delivery model.

As noted earlier, the DEWR ICT network hosts a number of portfolio and client agencies. The ICT procurement function is resourced by an experienced team of procurement professionals that manage ICT procurement transactions within the overall procurement framework including the Public Governance Performance and Accountability Act, Commonwealth Procurement Rules, and departmental policy and guidance materials including conflict of interest and probity considerations.

The department has established controls in place to support effective and compliant procurement activities. A central request process captures all ICT related procurements from inception through to disposal or decommissioning. ICT financial delegations are also centralised to provide visibility of all ICT procurement activities within the Department. Risk management is a critical element of the department's Project Management Framework and project managers are asked to identify project risks early in the project lifecycle. Risks are then mitigated where possible and managed throughout the project and procurement lifecycle.

The department works closely with the Digital Transformation Agency (DTA) and uses their mandatory Panel Arrangements for approaching the market and entering contracts. The ICT procurement function has a focus on achieving value for money outcomes to support the effective operations of the DEWR ICT network and the delivery of departmental outcomes.

Conclusion

The department recognises the importance of the Inquiry's opportunity to make meaningful recommendations to improve how it delivers large scale digital services for Government.

The department welcomes the opportunity to continually improve its procurement policies and practices and further refine how best to deliver contemporary digital solutions for the Australian community.