LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

(Reference: Inquiry into Auditor-General Report: 1/2020 – Shared Services Delivery of HR and Finance Services)

Members:

MRS E KIKKERT (Chair)
MR M PETTERSSON (Deputy Chair)
MR A BRADDOCK

TRANSCRIPT OF EVIDENCE

CANBERRA

THURSDAY, 10 JUNE 2021

Secretary to the committee:
Ms A Jongsma (Ph: 620 51253)

WITNESSES

HARRIS, MR MICHAEL, ACT Auditor-General **18**

MINERS, MR STEPHEN, Acting Under Treasurer, Chief Minister, Treasury and Economic Development Directorate **1**

STANTON, MR BRETT, Assistant Auditor-General, Performance Audit **18**

STEEL, MR CHRIS, Minister for Skills, Minister for Transport and City Services and Special Minister of State **1**

STRACHAN, MR SHAUN, Deputy Under Treasurer, Commercial Services and Infrastructure, Chief Minister, Treasury and Economic Development Directorate... **1**

TANTON, MR GRAHAM, Executive Group Manager, Shared Services, and ACT Insurance Authority, Chief Minister, Treasury and Economic Development Directorate **1**

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Amended 20 May 2013

The committee met at 9.30 am.

STEEL, MR CHRIS, Minister for Skills, Minister for Transport and City Services and Special Minister of State
MINERS, MR STEPHEN, Acting Under Treasurer, Chief Minister, Treasury and Economic Development Directorate
STRACHAN, MR SHAUN, Deputy Under Treasurer, Commercial Services and Infrastructure, Chief Minister, Treasury and Economic Development Directorate
TANTON, MR GRAHAM, Executive Group Manager, Shared Services, and ACT Insurance Authority, Chief Minister, Treasury and Economic Development Directorate

THE CHAIR: Good morning, gentlemen; thank you very much for being here this morning. We really appreciate your time. Welcome to this public hearing of the Standing Committee on Public Accounts inquiry into Auditor-General's Report No 1 of 2020—*Shared Services delivery of HR and finance services*. In the proceedings today, we will hear evidence from the Special Minister of State and officials, and the ACT Auditor-General and officials. Please be aware that the proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and web streamed live.

When taking a question on notice, it would be useful if witnesses used the words, "I will take that as a question on notice." This will help the committee and witnesses to confirm the questions taken on notice from the transcript. Do you have an opening statement, Minister?

Mr Steel: I do not, Chair. We have tabled our response to the report.

THE CHAIR: Could I confirm that all of you have read the privilege statement on the pink card that is in front of you, and that you understand the privilege implications of the statement?

Mr Steel: Yes, Chair.

THE CHAIR: Thank you. The Auditor-General spoke about the Customer Council, and said that they did not provide adequate or strong leadership and direction for reviewing Shared Services' strategic direction. I am not too sure what the purpose was for their ceasing to operate. Could you share with us a little bit about the background?

Mr Steel: That was an old governance group.

THE CHAIR: That is correct, yes.

Mr Steel: Since then it has been replaced by the Quality and Measurement Advisory Committee. I will hand over to officials to explain how that has worked in the interim. Of course, we have accepted all of the recommendations of the report by the Auditor-General.

Mr Miners: With the establishment of QMAC, the Shared Services teams work very closely with that committee. They were certainly engaged in a lot of that discussion, and it has led to a very good working relationship in terms of the way these services are delivered across the whole of government. I will hand over to Mr Strachan to run through the details.

Mr Strachan: In terms of the observation on the Customer Council, the Customer Council has been in play for probably three or four years. Its participation in, positioning on and ownership of a number of issues have fallen away; that is probably the best way to put it.

With commercial services and infrastructure coming into play at the beginning of the 2017-18 financial year, there was an opportunity to reset governance. As a consequence of that, in terms of one side of Shared Services, its capacity to provide focused customer service, quality service provision, tactical planning around services and cost efficiency, there was an opportunity to reset the governance within government generally.

We undertook to do a review. The review found at that particular point in time that we needed really strong, representative leadership, both at director-general level and across agencies, across the board. The terrific thing that came out of that, and having looked at other jurisdictions as well, was the ability to really focus on the things that mattered in terms of accuracy of payroll, accuracy of financial services and other key metrics associated with the way that we need to run and administer the services transparently.

The really good thing that came out of that was that there was very solid ownership of the governance structure very early on. A director-general chairs the Quality and Measurement Advisory Committee, as the minister said. It is represented, in terms of its membership, from deputy director-general down to senior chief operating officers, who have direct carriage of these matters in an operational sense in their own directorates and across the business.

In terms of some of the observations, and in terms of the timing of the Auditor-General's report, you will note that, in the interval, in the latter part of 2019, there were four key meetings of QMAC, effectively to kick it off. In fact, what has actually happened is that we are meeting, as a representative, whole-of-government committee, answerable to the strategic board, every three to 3½ weeks. So we are now having in the order of 15 to 20-odd meetings a year.

The focus now on service, service excellence, the accountability measurement and corrective actions is really front and centre in that meeting. Probably, as Stephen said, the transition associated with moving it from perhaps a little bit of an abstract engagement process, absolutely dislocated, to now having energised, focused and engaged processes, has really paid off.

I believe that the changes that we made essentially have now largely addressed the issue around excellence through development of services, the customer service mantra, the costs for delivery of service and the focus around the innovation that is required across finance, payroll and other areas, where there is an aligned focus on the things that we need to concentrate on.

THE CHAIR: I am glad to hear about the changes, which include an agreement. Is there a current agreement?

Mr Strachan: The way that the QMAC works is by way of terms of reference for the Quality and Measurement Advisory Committee. It is owned by whole of government through the strategic board—that is, directors-general and Head of Service—and reports through to the minister in terms of any key issues.

We have agreed, from a whole-of-government perspective and through the strat board mechanism, that there are roughly 35 key performance indicators that are measured regularly. There is a quarterly review of those, and there is an annual review of the KPI measurement process, in terms of that. That is very much a focus now, in terms of whole-of-government ownership of those metrics. As a consequence of that, the Quality and Measurement Advisory Committee has stewardship and carriage of that, in terms of the process.

THE CHAIR: Is that an agreement, though?

Mr Strachan: It is an agreement through that governance mechanism, yes.

Mr Steel: And the government agreed to the recommendation of the Auditor-General in that regard.

THE CHAIR: That is correct, yes; you all agreed to it, but I wanted an update on it because you agreed to it last year.

Mr Steel: Yes.

Mr Tanton: Part of the terms of reference is a service overview that has been developed and signed off by the QMAC, which has the roles and responsibilities. One thing that came out of the report was a need for a document that sets out roles, responsibilities, workflows and the like. The service overview does that. It provides a clear understanding, and it is published on the Shared Services website.

Basically, it shows that process for directorates, Shared Services' roles and responsibilities and the like. That is covered and managed by the terms of reference under which the QMAC meet and review. They review that document on an annual basis, to make sure that it is up to date, that the services are current and that we are focusing on the right things. There is a document that supports the terms of reference and the role of the QMAC.

THE CHAIR: The report mentioned that some agencies did not agree with the agreement, and that is probably why they did not tap into it. With the terms of reference, is everybody in agreement with it?

Mr Strachan: I will expand on what Graham has said. A lot of what was said was probably around what may have been in place in 2013. There is a need for very precise and solid engagement in relation to managing those expectations about who is delivering what; did some of that sit with individual directorates and did some of it sit with Shared Services?

As Graham said, one of the key targets that we had through setting up the new QMAC structure was to sit down and have a reset and understanding of exactly who had what responsibility, and for what part of a process. As Graham said, CSIG committed to a service catalogue, which is represented from whole of government. At a very high level—you might want to call it the A1 level—that categorises the exact role and function of each of the key operations in CSIG.

In addition to that, as Graham said, QMAC then took on the role to effectively, in granular terms, move it into a very detailed understanding, which was then regulated through another colleague of ours, Claire, in relation to moving that into a very detailed understanding and description of how the services are effectively deployed, in the exchange between directorates and Shared Services itself.

QMAC essentially debated that. They debated it aggressively over a period of probably six months, again through carriage of the chair. We then took that to strat board and had that endorsed at a whole-of-government level. In fact, we realistically updated it, from having some of the pitfalls in some of the old ways that we were doing things, to now having a really granular, clearly understood, mandated role and clarification of governance structure.

THE CHAIR: Why did QMAC debate it for six months?

Mr Strachan: A lot of it went back to trying to get that clear understanding about at what point an agency was responsible, for instance, in relation to recruitment processes versus the role of Shared Services to complete the recruitment processes and so on. At the end of the day, whilst we administer payroll and a lot of these processes, directorates are, in some cases, responsible for starting the recruitment process for employing an individual, and we complete a lot of the processes.

When you have really detailed services that are being exchanged, if you like, between a central agency and directorates, it is important that there is shared ownership about how you complete things. It is important that you understand how the process runs. The demarcation regarding the debate was about being really clear on who was responsible for what part of the process, to complete a process.

THE CHAIR: Within six months, that was resolved?

Mr Strachan: Six to eight months, yes. There was a lot of really solid, engaging debate, and an agreed settling of all of the service areas, the various compartments of what is provided in finance, payroll, recruitment, records management and so on. It was an extensive piece of work, but it was a very important piece of work to be done properly.

THE CHAIR: Absolutely.

Mr Tanton: Leveraging off what Mr Strachan said in regard to that, we get a lot of people from different jurisdictions coming to us and asking advice around shared services, because we have probably the longest running shared services function in Australia, from a government point of view. One thing that I point out to them, looking at the SLA side of things, is that shared services is not a set and forget. Having regard to the way that technologies are going, the way the demands from the community are going and how we support directorates, it is always changing. It is always good to look at your governance structures; it is always good to review what you are providing to directorates, because the services that they provide to government change. The government's priorities change as well, and we have to be flexible around that. What we cannot do, as Shared Services, and it is why most shared services fail, is try and dictate to the customer base what they are going to get.

As Shaun mentioned, the six to eight months was really about having that dialogue to understand, "This is what we see our role being; this is where you play into it." We are then in agreement as to where those areas are. If there are some grey areas, we work together, in and around that. Things come up all the time on which we work together, and say, "We've got a problem; how about we try and solve it this way?"

Looking back to the past, the Customer Council, for that period, did what it needed to do, but we matured. At that time the chair of the customer council thought we were at the stage of maturity where we did not need to have this focus around the old customer council, and that we should start moving to a new regime. QMAC was then established, and I think it has done a good body of work.

It is always progressing and evolving, with that maturity level. As technologies change and as how we deliver services change, we will have to evolve as well. That is one of the reasons why continuous improvement is very important to us.

Mr Strachan: There was a lot of really good discussion over a six to eight-month period. We started by looking at a lot of the past metrics, too; it was not a case of just ignoring them. There was an issue about whether they were still relevant in terms of business efficiency, process design and ownership. We moved tactically and with very good engagement in terms of both sides, the directorates and ourselves, through the QMAC lens, to focus on those metrics that really made a difference to the business. That is why we have come to a set of about 34 or 35. That is about, as I said before, making sure that we focus on costing the way that we deliver services. At the same time it is really important that we do pay suppliers in under 14 days, as a consequence particularly of some of the change in government direction about making sure that we are more responsive.

At the same time we need to seek to improve the way that we recruit staff, administer processes and so on. It has moved to an important distinction, not so much about what Shared Services does in its own right but about how it leverages and supports directorates to get on and manage business.

THE CHAIR: Yes, that sounds good to me—how you are building relationships with your clients. Was the Customer Council a volunteer role of the members or was it a paid—

Mr Tanton: No, volunteer. Basically, they were representative of all the directorates at the time. It was there for the start-up and the initial side of things. The representative skills that you need during those start-up things change. Now we have moved into that more strategic business-as-usual process, how we add value and look at those bigger strategic things, so that we can all come together and drive efficiencies through, has been beneficial.

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MR PETTERSSON: I was hoping to get an update on the individual recommendations and how they have been implemented, having regard to the government response to the Auditor-General's report.

Mr Tanton: Absolutely.

MR PETTERSSON: Can we go through them one by one?

Mr Tanton: Absolutely. I will take that one on; I am glad you asked. Recommendation 1—and I will not read out the whole recommendation—has been completed. Those core recommendations in regard to the development of the Shared Services overview were signed off by QMAC on 19 September. That is the body of work that Mr Strachan was referring to. It has detailed service descriptions covering metrics, roles, responsibilities, process workflows and the like. It also has a governance section outlining accountability, assurance, fraud and business continuity mechanisms—making sure that we have in place methods of supporting business.

Also, there is the establishment of a suite of KPIs. As Mr Strachan mentioned, there are roughly 33 or 34 KPIs that we measure. Some of those KPIs are about quantity; there is also the quality. We can be hitting a figure regarding how many, but are we doing it well? It basically looks at both of those and, it commits us to annual reviews. That was one of the other findings—reviewing the terms of reference, reviewing the overview of the services that we are providing. We are comfortable that that has been completed at this point in time.

Moving on to the second recommendation, which was describing how directorates can access more complex services, that has been covered in the service overview around the customer charter. If people have things that need to be escalated, it is about how they go through that process of escalation. That would generally come up to the branch managers or me. There could be a problem that is just outside the transactional side of things, or in many cases someone might have a specific problem that no-one has dealt with, and we have subject matter expertise. Sometimes, on the finance side of things, with fringe benefits tax, or some of those government-imposed obligations that we have, we have the subject matter expertise to do that. That gets escalated to our teams and we will provide advice to directorates in regard to that. That is in the services overview; it is listed there. That has been covered off as well.

In regard to recommendation 3—improved risk management, and risk assessments that are comprehensive and accurate—we did have a framework of risk management in place, and we had that documented. One of the core recommendations out of the review was assigning the ownership of that risk to a particular person, with the right accountability structures. We went back and reviewed our risk registers and we identified those people that are responsible for, say, ensuring that system security is in place or making sure that the BCPs are updated.

We have identified key roles for people to own that risk, and they are responsible for reviewing and making sure that the mitigations are in play. A recent review that we had on the risk registers identified three high risks in both finance and HR. They are about being able to deliver operationally. Obviously, a lot of employees have a vested interest in us doing that. Also, we do the financial statements for each of the directorates. Those high risks that we have are in regard to our operational ability to continue paying invoices and the like, which you would expect. We do not have any extreme risks that we have identified and we have the mitigations in place for those other high risks in regard to continuity of service.

It is worth noting that, since COVID has come about, and people are working from home and our system is adjusting to people working from home, we are in a better way than we were probably two or three years ago, when everyone had to come into the office and do their papers, and they had their files. We are now very much digitised in what we do. Our risk is probably less than it used to be. One of the things that we used to have in our core risk was, "If people can't turn up to work, how are you going to do payroll?" "How are you going to stamp an invoice to get paid?" We all do that electronically now, so we can do that remotely, which I think is of real benefit for government.

Mr Strachan: On top of all of that, too, as you will understand, with a fairly mature professional services capacity within government, we are subject to independent audit committees. We also present in relation to that on a regular basis, in terms of the status of our risk profile and individual considerations.

We also have internal audit reviews undertaken sporadically through the entire suite of products that we have. There could be an issue about the timeliness or accuracy of payroll; it could be an issue in relation to controls; it could be another issue in relation to the way we are looking at investing into the future regarding whether we have sufficient tactical planning about where we see the next few steps being, whether it is our base financial systems, our payroll systems or other aspects. So it is not just a response against the Auditor-General's report; it is a very active, live space that is being tested all the time, and at the discretion of the Under Treasurer, too. There might be some spot audits associated with looking at individual trends or considerations from time to time. It is very much an evolving total approach to the way that we manage risk.

THE CHAIR: You mentioned those internal audits. What do you think actually sparked the Auditor-General to do this report, if there were ongoing audits within Shared Services?

Mr Strachan: I probably should not comment directly on behalf of the Auditor-General—

THE CHAIR: But from your perspective—

Mr Strachan: From the point of view of the way that we look at the internal audit, which is separate from the Auditor-General's process—

THE CHAIR: Yes, of course.

Mr Strachan: we are always trying to refine the way that we approach particular tasks to work out whether we can do them better or more efficiently, or whether there is an innovation requirement that we might want to look at. We do need justification to try and guide some of the thinking as to how we might want to present a business case to government in the future. It is not just about doing a process and sitting on it year on year.

The other thing that you might be able to do is aggregate some of the processes, too. It is one thing to say that we want to pay suppliers in under 14 days, but what is the impact of that on the total business in terms of how we want to mechanise the business to make that more effective for everyone?

The lead thinking, in many respects, that goes into that may drive some aspects of the internal audit process. The other thing is that sometimes we want to improve the way that we go about our tasks generally.

Mr Tanton: We do welcome audits. As Mr Strachan said, sometimes when you are working in an environment, it is good to have another set of eyes coming in. No matter which organisation I have been in, HR and finance seem to get their fair share of audits. It is something that we are used to, especially with the financial statements each year. We get audited around the financial statements. As Mr Strachan mentioned, each of the directorates has their own internal audit committee that the finance teams go along to. Often their internal audit teams are basically saying, “What’s happening in here; what’s this?”

We do not generally have direct visibility of some of the things that we do, so we welcome that, regarding being transparent in the services that we provide, and making sure that the executive, and at the government level, have confidence in what we do. We do welcome it and, when we get these recommendations, we take them seriously, and we look to move through—

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THE CHAIR: Good answer.

Mr Strachan: A final point, just to close the loop a little bit: the other really good thing with QMAC is our ability to feed back at a whole-of-government level into a central forum. If we have shared learnings or experiences coming out of some of these reviews then we are really keen to engage very early with our counterparts to make sure that there is a clear understanding about both the opportunity and, perhaps, some of the changes that we need to make for everyone’s benefit. Iteratively, it works very well.

THE CHAIR: Everybody needs a bit of a push in the right direction, right?

Mr Strachan: Focus, yes.

THE CHAIR: No matter who you are or what company you are with.

Mr Tanton: If you are comfortable with that, the last recommendation was with regard to our benchmarking. We undertake benchmarking. Again, this is something that we put in place. We do both customer surveys and, basically, peer review. We go out there and get a company to come in and we say, “How do we perform against our peer group in what we do?”

Regarding this recommendation, the Auditor-General came in and had a look at how we do the benchmarking. Generally, we go to an external party. They come in and source an index of data from our source. Unfortunately, there is not a shared services index or a bunch of companies that just do like-for-like services. It is quite a hard process to get a comparative index.

There are a number of areas that they mention in there. One was using measures that are directly relevant to focus on shared services. Unfortunately, every company and shared service is different in what they provide and how they manage the costs. What we try and do is get a peer group. We use the American Productivity and Quality Centre. That is the main index of data that looks at pulling this together. Not all shared services are the same. Basically, it is about providing transparency on the nature of organisations and activities.

The benchmark that we currently have—American Productivity—has a set of data that you can cut down. Deloitte, who were doing the benchmarking for us this year, identified a public sector peer group which was based from public sector organisations in Australia, Canada and the UK. They are chosen around that area. New Zealand are usually in there as well because they have a similar government process where you have the federal government’s base and then you have local jurisdictions managing health and the more municipal services. With a revenue size of $720 million, again, they are trying to get a comparison for what they are doing, noting, again, that the shared services are somewhat different.

One of the recommendations was that we should compare ourselves to commercial entities as well. With this one, we put in place a private sector peer group. The argument around the private sector and being compared to them is often about their drivers and their ability to pick and choose their customer base. I would suggest that there are not many companies around in the top 200 of the ASX that would have the breadth of customers that we have from all the services that are being provided through government through the enterprise agreements.

We have 18 enterprise agreements. We have got nurses, we have got ambulance officers, we have got corrections staff and we have got parks and gardens. In the most recent survey that we did we included the big financial services, banking services and telecommunications, which have a transactional element but also quite large HR areas going through.

The benchmark that we have completed recently took into account the methodology that was suggested by Auditor-General’s. We have been doing benchmarking for the past three or four years. We did not do it last year, because of COVID. Prior to that we had a sort of linear area. We are just looking through the results of the data that we have at the moment. Again, we compare well around those measures against those peer groups that we have.

There is another element that the benchmarking does as part of that scope of work. They look at what we do and they look at areas for potential improvement. Again, it is that continuous improvement: how are we performing and what are the main drivers where we may be a little bit higher? It may be invoicing costs or costs per payslip. At the moment we have a lot of manual processes. What it does is provide recommendations on how we may be able to improve that service. One of those things is moving into RPA or looking at automation of many of our services for potential improvement.

THE CHAIR: What does "RPA" stand for?

Mr Tanton: Robotic process automation. Rather than having people doing manual processes and manual reconciliations, the computers can actually do that for you. We put in place invoice automation, which meant that vendors or businesses who deal with the ACT can send us their invoice electronically. That can get processed through the delegate level and then go straight into the system, and it means that we can process that very quickly. It takes out those layers of manual stamping, which allows our public servants in the front line to spend more time in the front line doing what they need to be doing. There is a lot of advantage in doing that.

THE CHAIR: It sounds very expensive to implement that kind of system.

Mr Tanton: Not really.

THE CHAIR: That is good.

Mr Tanton: When you look at your costs, your transactional costs, and you look at a lot of the commercial entities and Telstra, in the 90s everyone was offshoring their corporate services to lower salary and lower cost—

Mr Strachan: Lower cost options.

Mr Tanton: Options; thank you. What we are finding now with automation is that those options of offshoring to try and get a cheaper salary base and lower costs are actually being overtaken. Once you have installed your computers, the costs of maintaining them are very cheap.

THE CHAIR: Right.

Mr Tanton: A lot of the business models where all of these services got outsourced to are probably starting to unwind a little because it is all becoming automated, which is freeing up those skill sets back here. We are seeing as well that a lot of companies are bringing their offshoring back in.

THE CHAIR: Yes.

Mr Tanton: One thing we did see during COVID was that we were able to move very quickly in that regard. We have listened to those recommendations and they are covered off. It is interesting to note that in 2016 we participated in the commonwealth's audit. You might be aware that the commonwealth has been looking to establish a shared service capability for a number of years. It is still being developed, I believe, at this point in time.

As part of that body of work, we benchmarked ourselves—we were asked to benchmark with the Department of Finance—regarding those results. We performed extremely well. We are in the top 10 percentile for 80 per cent of all the functions against commonwealth peers—that was against 52 commonwealth agencies—and we performed very strongly in those core metrics.

THE CHAIR: I go back to the automated model; that fascinates me. Quite often, when people hear about robotic things taking over the system, it generally means someone might lose their job because the manual opportunity is not there anymore; we are moving to robotic or automated engineering. Do you have a sense of job loss when you implement that system?

Mr Tanton: No. It means that people can actually do higher value tasks by doing that, rather than stamping or manually costing an invoice, getting the GL code and spending half an hour doing that. It means it is already done in the system. They can go off—

THE CHAIR: So it is actually easier for them.

Mr Tanton: It is easier. They are spending less time doing administrative work. In most workforces they say, "Administration gets in the way of me doing my job."

THE CHAIR: That is right.

Mr Tanton: This allows them to focus more on their core objectives. At the level of government where we are providing those services to the community, it enables people to deliver services to the community rather than sitting in an office doing processing.

THE CHAIR: That sounds good to me. When do you think that will begin? You are in discussions?

Mr Tanton: It is a gradual process for your systems, as you update your processes and as technologies change. It has been really evolving since computers were invented.

THE CHAIR: Of course.

Mr Tanton: Since the punch cards came around in the early 70s and now moving through to computers, it has been moving that way, very much so.

THE CHAIR: In that direction.

Mr Tanton: Absolutely.

Mr Strachan: It is probably equally as important that not everything focuses around costs. The other issue is about how we can improve the service experience. For instance, we have virtual assistants and a range of other things that we have capitalised on in terms of innovation—a lot of the work that Claire does in terms of running the partnering services group, which is really the service desk in the front end of the exchange.

We do look at how we can enrich the experience, where it may not be one to one, where someone has to pick up a phone and answer it. I do not know whether Graham wants to comment on that. These are other things that we look at in terms of the total approach as to how we can enrich the experience when trying to deal with a particular inquiry, process or outcome.

Mr Tanton: That comes back to workflow management as well. We put in place a tool which our service desk utilises. Jobs are logged when people ring in if they have a question. That will flow through to the areas. In the old days you would just get an email. You would have to check the email and it would get passed on; you would have to track the timeliness. We now have a service that can do that; we understand the key metrics of where a current job is. The person who put the job in can actually track to see where it is. That is another thing; when you are dealing with a large organisation, you send off a request and you do not know where it has gone. Internally, staff who put in a request can track where that request is at, if it is with their supervisor or if it is within Shared Services. It enables us to track those times and measure the quality outcome as well. They can actually rate us on our service. It provides a star rating. People are asked, "How was your experience?" We have also put in place chatbots.

THE CHAIR: Chatbots?

Mr Tanton: Chatbots. When you're on a phone line, you can dial in and you will get someone saying, "Can I help you?" They can deal with four different transactions at one time. They will be talking to you whilst they are looking at another response coming through, which means they are not tied up on a phone call and just dealing with one person. They can actually answer multiple chats and deal with them. Sometimes they are on the phone at the same time. It is just a way of becoming more efficient and getting a better quality outcome for people who deal with us.

THE CHAIR: It sounds like a mother talking to five kids at the same time.

Mr Tanton: It is very much like that.

THE CHAIR: Thank you.

MR PETTERSSON: The purpose of Shared Services is to remove duplication and increase efficiency across government. Are there still areas across government where duplication exists in finance and HR services?

Mr Miners: Generally, only very small. The way we set up Shared Services certainly picks up the bulk of those and has delivered the main parts of those efficiencies. There will always be bits around the edges with what departments are doing and what Shared Services are doing that you could argue could go one way or the other. We are not looking at a big agenda for more things that could be pulled in at this point, but there will always be bits around the edges that might be looked at. Mr Strachan, do you have any more to add to that?

Mr Strachan: Again, it goes back to the issue about the effectiveness of the Quality and Measurement Advisory Committee and the interconnected discussions around making sure, where possible, as Mr Miners has said, that those areas of perhaps duplication and other things are being tested all the time. In many respects, I look at it along the lines that we are sort of running vertical business areas. As a consequence of that, we are really keen to check in all the time to make sure that, if there are some touch points about how we can improve on the experience within a directorate, which may or may not be more involved or less involved in a process, we can have those conversations as we go. I think the really good thing that we have been able to do is align the service offerings, and any notion of competition in the same space is being tested all the time.

Mr Steel: The other important point to make is that it is not just about reducing duplication of services in directorates; it is also about how Shared Services can play a role in enhancing the capabilities across areas where they do not have a huge amount of skill or capabilities, particularly in functions that are emerging around cyber security and areas like data, analytics in particular. We are looking at how Shared Services can play a greater role in supporting directorates to do what they need to do, without needing to duplicate those services or develop those services within their own directorates.

MR PETTERSSON: For the things that have not moved into Shared Services that still operate in their own space, is there some guiding philosophy that dictates what can stay out and what comes into Shared Services?

Mr Miners: The Shared Services manual is probably the thing that sets out where it sits and where the responsibilities lie. At the end of the day, the directors-general have responsibility for their financial accounts and the management of their staff; that still sits with them. It will always be a matter of getting the right balance where they feel they have the right accountabilities and the right service levels. They were also involved in the discussion. As Mr Strachan says, it is a matter of working with them to make sure that we have the right balance and the right understanding. People will always have a different view from time to time about where that balance sits. We will always work with them to make sure that we have got that right and we are offering the best balance of what sits within the directorates and what sits in Shared Services.

Mr Tanton: It is probably fair to say that in a very dynamic, engaged environment, we are always open to a conversation. As Mr Miners has said, we have spent a lot of time more recently around making sure that there is a really good understanding of the services that are being provided, that they are well-understood and well-characterised and that they are being challenged, as the minister has said, in relation to how we can innovate them.

If a directorate wants to approach us in relation to a concept or an idea, we are very open to that and we are very keen to work on it in every sense. The cashless economy is a very good example at the moment in terms of "what can we do in that entire space into the future"—banking services generally—and "am I receiving my finances on a timely enough basis, am I getting enough analytical information around it and am I also getting the support that I think I need? Can you help me with training and education in terms of perhaps some of the junior staff that are coming through?"

It is an evolving discussion all the time. The really good thing, I believe, particularly in the last year and a half or so, is that we are concentrating now on how we are refining it. Having been clear about the ownership of where these services have been provided from, the next layer of discussions is evolving around what the future involves for both of us. If there are some opportunities then we are open to have a look at those.

Mr Miners: It is certainly not a closed book. We have not said, "This is it." As both the minister and Mr Strachan said, it is going to change, it is going to evolve, new products are going to come on and there will be new ways of looking at and doing things. We will always be ready to adapt to those and look at where they best sit and how we best manage them, whether it is the directorate managing them or whether it is a whole-of-government shared services-type arrangement.

Mr Strachan: I should also say that we are about to embark, some time in August, perhaps September—depending on timing—on our next whole-of-government customer survey. As you would appreciate, we spend a lot of time on staff development and a range of other things within an organisation. This is our next opportunity to go back to our clients, our business partners, across government and just check in with them in terms of their process expectations, their governance expectations and their service expectations. Again, this is a very valuable exercise to make sure that the alignment in relation to those expectations is being objectively assessed. As Mr Tanton said before, we take all of this back into that whole-of-government forum, which is QMAC, and have conversations about making sure that all expectations are continually aligned.

MR PETTERSSON: Which directorates have held onto the most HR and finance services themselves?

Mr Tanton: It would be very hard to distinguish, I think. We basically manage the major of the transactional elements. As Mr Miners alluded to, if it is about accountability for a director-general to be able to carry out their functions and the industrial relations side of things, we do not take that on. Each of the directorates have their own capability, depending on their size and, obviously, depending on their staffing levels and things like that. You would generally expect that, with higher staffing numbers, say in education or health, they have bigger teams to be able to manage that, where in a smaller directorate they would have smaller teams, but the proportion is fairly consistent across the board in that sense. They may have different requirements about their different risk profiles as well and they need to have different levels of services outside of what we do, but there is not a great deal of difference across the board.

Mr Strachan: Further to Mr Tanton's comments, it is very much about the transactional layer of the business. The heavy analytics decision-making processes and all the rest are still devolved to the individual directorates themselves, as Mr Miners has said. At the end of the day, they are appropriated for the services, essentially, they provide. Therefore, they run the governance to make sure that the decision-making and the heavy analytical work about what they require is being dealt with in the directorate itself. We are very much the transactional layer of getting a payroll done, a set of accounts out, assisting them with, I guess, some of the key mechanics around the relationship with paying suppliers, collecting receivables and so on. Again, there may be some discussion in future, but at this stage it is best characterised as a transactional experience with directorates.

MR PETTERSSON: Thank you.

THE CHAIR: Can you just help me understand why the directorate still employed finance officers if you are doing their role?

Mr Tanton: Absolutely. Regarding the financial statements that we do in the AP and the AR, if you are running accounts payable and accounts receivable you need to make sure that, when those invoices come in, they are receipted and so on within directorates. You have to have someone who says, "Yes, I've actually got those goods." Obviously, we are external to those organisations. You need to have people accountable for making sure that those goods are receipted, the contracts are done and the like and that they are doing their side of the accounts that they need to do as well.

They would need to be at the level of making sure that their internal budgets are done. We do not set their internal budgets, we do not allocate and we do not track that side of things, but we do do their financial statements, which is wrapping up their general ledger budgets for the end of the financial year, doing GST and things like that, because that is collected through our accounts systems. They do need that capability within their organisations to manage them in line with their financial requirements and obligations to do that. When the transactional layer comes to us, we package it up on those transactional elements, but they still need to have their strategic finance or their strategic HR elements as well; so there is a need for it.

Mr Strachan: If I can just expand a little further. The role of a traditional CFO and the directorate would be around—as Mr Miners said, directorates are appropriated—the efficient use of resources under the FMA Act. Therefore, they have to work across the entire business to make sure that all of the executives, at the end of the day, are doing what they need to do to run to a budget and to make sure that they are essentially offering, I guess, good financial management associated with how they work through their day-to-day operations and how they plan into the future, business case formulation development and a whole range of other things go into that.

At the end of the day, HR is industrial relations, employer relations, human resource management, education and training, and succession, as well as a whole range of other aspects that are fairly complicated. Our role is to sit behind that and look at the transactional nature of how we can help and assist them at an efficiency level across government to make sure that they are not having to duplicate that experience in terms of part of their role.

Mr Miners: That strategic element is directorate specific. It is not something you can just pull out and say, "It's the same for every directorate." It is actually different. As Under Treasurer, I have lots of discussions with the strategic finance team about how my budget is going within Treasury, within CMTEDD, how those allocations are working, where things are at, whether we need to move money around, how we are going to do that, what programs are behind or ahead and how do we manage that from a strategic point of view. The operation of actually paying the bills, paying the invoices and making sure the salaries are all out comes back through Shared Services.

THE CHAIR: Thank you.

MR PETTERSSON: What is the benefit of having the appropriation with the purchaser, rather than the supplier?

Mr Miners: There are a couple. I will start, and Shaun and Graham might want to jump in. One of the main ones is that it makes it very clear what services you are getting, and directors-general are actually purchasing a service. They know that they have accountability for that and they can look at what services they are getting and can focus on that. In other words, they are buying the service from Shared Services, which gives them a level of ownership. It makes it very clear that Shared Services are accountable to the directorates through QMAC and to everyone in terms of the services they provide, rather than it being money that just sits within Treasury and is allocated directly. A lot of it is about making sure that relationship is right and that people know what they are doing. It also creates the right incentives for agencies to purchase the right amount of services, rather than leaving that completely out of their hands.

Mr Tanton: I might just come in on that one as well. You might be alluding to a paragraph in the report basically about the appropriation of those services. In relation to the cost base around finance and HR—mostly at the HR level—it was agreed in relation to appropriation that, rather than us having to bill directorates for their services, it was appropriate. However, there are services that we do charge directorates within Shared Services for—not as part of the HR and finance side of things but for, say, record keeping. If people have things in record keeping or whatever, we do charge for licences and things like that. There is still a consumption base so that people have to think about who they are providing licences to or if they are going to put something into storage or the like. We charge for that because it is a consumable for HR and finance. It is a general HR thing. It is a fairly static cost, and we manage to do that.

Mr Strachan: If I can just make one final point. Fundamentally, as Mr Miners said, in terms of the appropriation, it is about ownership, direction and control. At the end of the day, again through reviewing the metrics associated with what we have now in our key performance indicators in QMAC, everyone is generally interested in what is the cost of a payslip, what is the cost of essentially paying an invoice and so on. I guess that will be tested on either side all the way through: is that transparent, is that objectively tested as a benchmark, and all those other bits and pieces? There will always be a question on the table about whether or not the experience is a consequence of that. It is open to a conversation about whether it represents value for money or whether there are other conversations about it.

The other part of this discussion is that we have moved into a highly transparent relationship with all directorates across government about making sure that it is not one rule for one part of an organisation and another rule for another. The experience is shared together and, as a consequence of that, quite honestly, we will be held to a high level of account associated with how we perform.

Mr Miners: It is a topic that does get discussed as to whether the most appropriate approach is to appropriate to the directorates or to just appropriate to Shared Services. It is an open question that is discussed a lot. As Mr Strachan says, it does depend a little on the nature of the service that is being provided as well as which we think will give the best signals and the best incentives to begin within government.

MR PETTERSSON: I have one last quick supplementary. You mentioned this a couple of times: what is the actual cost of a payslip?

Mr Tanton: The cost of a payslip at the moment is roughly $18. That includes all your on-costs. In some organisations they will just do it based on the cost base per payslip, how many people are processing it, and that would probably be around $5 to $6. If you add the cost of licences and everything else that goes with that, total recruitment and everything else, that $14 to $18 mark is basically where we see it. Obviously, as we move forward, we would like to see that trend back down again, knowing that we still have Chris21 in place and there is a lot of manual processing with that system. As we move forward, we will look to see those costs come down as well.

MR PETTERSSON: How interesting. Thank you.

THE CHAIR: As there are no further questions, thank you so much, gentlemen, and thank you, Minister.

Hearing suspended from 10.23 am to 10.53 am.

HARRIS, MR MICHAEL, ACT Auditor-General
STANTON, MR BRETT, Assistant Auditor-General, Performance Audit

THE CHAIR: Good morning. Welcome to the public hearings of the Standing Committee on Public Accounts inquiry into Auditor-General Report No 1 of 2020—Shared Services Delivery of HR and Finance Services. The proceedings today will hear evidence from the Special Minister for State and officials and the ACT Auditor-General and officials. Please be aware that the proceedings today are being recorded and transcribed by Hansard and will be published. The proceedings are also being broadcast and web streamed live. Could I confirm, witnesses, that you have read the privilege statement on the pink card in front of you and that you understand the privilege implications of the statement?

Mr Harris: Yes, I have read the notice. I do understand the implications.

Mr Stanton: I have read the statement, and I understand and agree with it.

THE CHAIR: Thank you, Mr Stanton. Before we begin, would you like to give us a briefing on the report, Mr Harris?

Mr Harris: Thank you, Chair. I do not intend to make an opening statement, other than to say that in relation to Shared Services, the audit report has conclusions and key findings and recommendations which reflect my views and thoughts in relation to the subject matter. In terms of governance arrangements, the audit highlights what we believe are deficiencies in governance arrangements during the period over which the audit viewed these services. It is fair to say, in that respect, that the directorate has taken some steps to improve those governance arrangements and, at least on the short amount of evidence that we have about that operation, that seems to have largely dealt with the governance deficiencies that we highlighted. Time will tell, but signs are looking good.

I think the second area that we were somewhat questioning is service delivery and the key performance indicators. We also had some serious concerns in relation to benchmarking that was conducted, and whether or not that benchmarking was actually relevant to the activities that Shared Services undertake. We also had some questions about how much attention that benchmarking exercise was given through the various governance bodies. I think, unless Mr Stanton has anything to add, they are the key areas that we felt required attention, and our recommendations go essentially to those areas.

THE CHAIR: Yes. Thank you. The government obviously noted that they have accepted and agreed to all of the recommendations. I am not sure if you tuned in to the live broadcast when we were questioning them. No? That is all right; we will send you a transcript of it. It seemed that they welcomed the recommendations and they have obviously started to implement some of them, in particular the first recommendations. They currently do have an agreement.

Mr Harris: Yes. I think it is relevant to note that the development of the services catalogue goes a long way towards filling a gap when the previous agreement—what was the name of that?—

Mr Stanton: The services partnership agreement.

Mr Harris: That is right; services partnership agreement. When that was done away with, there was no opportunity for agencies to understand what services were available and what could be provided. The reintroduction of the services catalogue, which is basically the original document reinvented, has filled that gap, so that will go a long way to dealing with recommendation 1.

THE CHAIR: Yes.

MR PETTERSSON: In your audit, did you identify any pros and cons of the appropriation being with the supplier or purchaser, or vice versa?

Mr Harris: That question was not within the scope for this particular audit. I think it is a very reasonable question to ask, but in terms of this particular audit, we basically considered the effectiveness of Shared Services' delivery of HR and finance services. So it was the delivery of those two things—I think the agency refers to them as "transactional activities"—that we were looking at. So we did not investigate that particular issue in this audit.

Mr Stanton: It is fair to say, as well, that that new arrangement, through appropriations, was just being implemented at the time of the audit. Our audit was conducted between May 2019 through to February 2020 and this concept of the appropriation for finance and HR services had just been implemented. They had not at that time—as they have not now—agreed on the appropriation for ICT services, as well.

MR PETTERSSON: Thank you.

THE CHAIR: Thank you. The committee's hearing for today is now adjourned. On behalf of the committee, I would like to thank the Auditor-General, Minister Steel, and the officials who have appeared today. The secretary will provide you with a copy of the proof transcript of today's hearing when it is available. If witnesses have taken any questions on notice today, could you please get those answers to the committee support office or committee secretary within five working days of the receipt of the uncorrected proof. If members wish to lodge questions on notice, please get those to the committee support office or committee secretary within five working days of the hearing, day one being the next working day after the hearing.

Mr Harris: Thank you.

THE CHAIR: Thank you, Mr Harris. Thank you, Mr Stanton.

The committee adjourned at 11.01 am.