

PUBLIC ACCOUNTS COMMITTEE

GOVERNMENT ICT FOLLOW-UP



**TRANSCRIPT OF EVIDENCE
TAKEN AT PERTH
WEDNESDAY, 9 AUGUST 2017**

SESSION TWO

Members

**Dr A.D. Buti (Chair)
Mr D.C. Nalder (Deputy Chair)
Mr V.A. Catania
Mr S.A. Millman
Mr B. Urban**

Hearing commenced at 10.59 am

Ms ANNE NOLAN

Director General, Department of Finance, examined:

Ms KATHRYN LEE BARRIE

Acting Executive Director, Government Procurement, Department of Finance, examined:

The CHAIR: I will commence with some formal comments. On behalf of the Public Accounts Committee, I would like to thank you for agreeing to appear today to provide evidence relating to your agency's response to the recommendations made in the 2016 committee report "Doing ICT Better". My name is Tony Buti. I am the committee chair and the member for Armadale. To my left is the deputy chair, Hon Dean Nalder, the member for Bateman, and to his left are Vince Catania, the member for North West Central; Simon Millman, the member for Mount Lawley; and Barry Urban, the member for Darling Range. It is important that you understand that any deliberate misleading of this committee may be regarded as a contempt of Parliament. Your evidence is protected by parliamentary privilege. However, this privilege does not apply to anything you might say outside of today's proceedings.

Do you have any questions about your attendance today?

The WITNESSES: No.

The CHAIR: Thank you. Before we begin our questions, would you like to make an opening statement?

Ms NOLAN: No; we are happy to answer questions.

The CHAIR: As you know, this report was from the Public Accounts Committee in the last Parliament. The report made only a few recommendations that are focused on your department. Before I get to those recommendations, can you tell us about your oversight of the Office of the Government Chief Information Officer, and what independence does it have within your bureaucratic structure?

Ms NOLAN: Sure. The GCIO is a sub-department of the Department of Finance. In practical effect—which I think is what you are getting at—it is independent in terms of its operations, policies, facilities and the like. But it is not an independence where we let them do whatever they want, because we want to support them. Obviously, GovNext and the digital transformation of the Western Australian economy, as well as the WA public sector, is of vital importance to the Department of Finance as well because it offers the opportunity to make massive savings as well as provide better services to the community. So we are very supportive of the GCIO, and it operates as an independent agency. The only sort of direct, formal nexus is that in a technical sense, the Department of Finance is the employing office of the staff within the office, but we have no control over the number of staff in their office, the budget or anything like that. Nothing gets approved by me, other than formally in terms of appointments, because I am the employing officer of the department of their staff.

The CHAIR: Is there anything in that arrangement that you think could be done better?

Ms NOLAN: I think there is an excellent collaborative and strong working relationship between the department and the GCIO. We provide a lot of support for the GCIO in our procurement area in particular. Over the last 12 months there has been a very close working relationship. I think

ultimately they are decisions for government in terms of the organisation and structure of the bureaucracy. But at the moment I think it is working very well.

The CHAIR: I think that only five of the recommendations in the report relate specifically to Finance—recommendations 7, 8, 9, 11 and 12. Are you able to give us some commentary on your response to those recommendations, and on whether any of them have been implemented; and, if they have not been implemented, why not?

Ms NOLAN: So you would like us to take those in turn?

The CHAIR: Yes. It has just been pointed out to me that recommendation 11 is to Treasury, but it is related to recommendation 12.

Ms NOLAN: The first recommendations are 7 and 8. They refer effectively to the benchmarking survey and how to use that information to improve the operations and the involvement of senior leaders in each agency in terms of oversight of ICT investment. GCIO has been the lead agency on this in that the leadership role has gone to the GCIO, and certainly we have been involved in it more as an agency at the working group level with the GCIO when it established how it would go about doing the benchmarking. In terms of the actual benchmarking, it is being driven by the GCIO, and we have been a very good test agency for them, and that has been the relationship more generally. We have also been an exemplar in terms of the Department of Finance in ensuring that we test-run the methodology, and we have provided them with the early results of our department to give them insight into how that would operate. They have certainly taken on the lead role.

In terms of improved governance processes, that is interesting, because one of the things that is increasingly obvious is the need for senior staff to be very much more involved in the ICT governance and arrangements. That is one of the good things that has come out of the focus of the GCIO on ICT. Rather than seeing ICT as being separate within the Department of Finance where they each do their own business, it is very much a whole-of-department approach to managing and ensuring we have the appropriate processes in place for decision making as well as operationalising those decisions as they occur.

The CHAIR: Thank you. Would you like to add anything else?

Ms NOLAN: I think that largely covers that. I am sure the GCIO has gone through in a lot more detail how they are going through their benchmarking exercise. In fact, they have been very successful in getting the agencies to provide information to them.

The CHAIR: With regard to the department and your procurement policy and governance branch, given the small number of staff in the GCIO, do you offer help to them in that respect?

Ms NOLAN: Absolutely. We have embedded staff within the GCIO, whether it be procurement or planning for procurement, particularly through the GovNext processes. In terms of this example of the KPIs, it has certainly been a good close working relationship.

The CHAIR: So that is helping them with the survey that they put out?

Ms NOLAN: Yes, absolutely.

The CHAIR: What about the gateway?

Ms NOLAN: That is an area where we certainly have taken a lead role in the gateway policy under the generic procurement processes. As you are aware, the committee made a recommendation that there should be more examination of the ICT processes and particular decision points by government about procurement in general. I am pleased to say that a Premier's circular was issued on 28 December 2016 that mandates the application of gateway processes to ICT projects over \$10 million, as well as the existing requirement for infrastructure projects over \$100 million, but a

more focused approach on ICT projects that are over the \$10 million mark. Basically, as a consequence of that, we are seeing agencies coming into contact with the procurement part of the Department of Finance far earlier in their processes because they know that they ultimately have to go through a gateway process in terms of the strategic level of design work and then the last gateway when there is a decision to be made. While it is pretty early days in terms of the application of this policy to ICT projects, I think we are starting to see some really good signs emerge of better cross-government discussion, and obviously we involve the GCIO in those discussions also.

The CHAIR: Do they have a role in the gateway review with respect to ICT?

Ms NOLAN: The GCIO is not actually involved in the gateway processes. As you would be aware, it is a select group of people who were chosen to undertake the gateway review, whether they be from internal in the Western Australian public sector or external to the Western Australian public sector, and even including east coast people, who can bring in experts who can critically review and analyse what has been done under a particular project. One of the things that we have done under governance though is ensure that there is a lot of feedback to it. What tended to happen in the past is that it was confidential to the project team that installed the gateway review, and that did not enable us to get systemic learnings and benefits from what was systemic across all the gateway reviews that were happening. So we have brought together a steering committee that involves GCIO, ourselves and Treasury to look at those reports to see if there are systemic issues and to provide regular reports to government on a twice-yearly basis. I think that has been a good outcome. It is certainly a feedback loop to ensure that we are a learning organisation from the things that we do. So these gateway reviews have certainly been very valuable.

[11.10 am]

The CHAIR: Thank you. Can we now go to recommendations 11 and 12. Recommendation 11 is more about Treasury but it is related to 12.

Ms NOLAN: This is in terms of reviewing strategic ICT plans. As I said earlier, the key is getting involved early in another agency's processes to look at their ICT plans and their strategic approach to it. One of the things that we have done over the last 12 months, particularly since the committee provided its report, where we highlighted a potential change in direction, was for government procurement to be far more involved in high risk, high-value projects. The transformation process that we have undertaken in our agency has very much been focused on that. As a consequence, we are seeing far more involvement in reviewing and looking at strategic ICT plans and investment proposals. As Giles, the GCIO, said in the last discussion, the cabinet submission actually requires a tick-off, effectively, from the GCIO in terms of the strategic direction of those ICT plans. We have very much been working with the GCIO in helping public sector agencies improve their planning and procurement. That is, again, as I said, part of us trying to help agencies in a more broad-based way in planning, considering what the market is, what are their options, and what is the best way forward, rather than us getting into the process at the end where we are just involved in the tender process and it becomes fairly mechanical. In this way, we have certainly taken it across the board, including for ICT plans, and there has been greater engagement building in the process.

The GCIO is involved in those processes, and although it is not formal, it is certainly being done because of our close working relationship and the need for the GCIO to report to government on a regular basis on ICT projects that we are working on. It is also a good, I guess, checklist to ensure that we take a comprehensive approach to what we are doing.

The CHAIR: I assume from what you have said that your department had a role in the set-up of the GovNext-ICT project and the ongoing monitoring or supervision?

Ms NOLAN: In terms of the GovNext project, absolutely. That was a good, strong working relationship, one of the best I have seen. We had a lot of staff embedded there in terms of our government procurement people, and although the GCIO had the expertise on the more technical side, the actual procurement side was very much done on a collaborative basis and everyone worked very extensively to sign up for those contracts in January this year, and their ongoing application and how they will be applied and used by agencies is similarly important.

Mr D.C. NALDER: So the gateway processes are being applied over projects that are within departments?

Ms NOLAN: Yes.

Mr D.C. NALDER: Has there been a gateway review over GCIO itself as to the implementation of GovNext, just to ensure that it is delivering on things? There is noise in the industry, and some of that can be vested interests because certain people have a cushy contract or whatever it might be. Have we done any review to make sure we are not just handing it all to multinationals and we are not paying more than what we were paying before and all those sorts of things?

Ms NOLAN: That is a good question. The director general's ICT council looked at the GovNext contracts process late last year. One of the things that we were very keen to see imposed was a gateway review of the process that GCIO underwent to come to those conclusions on who should be awarded those governance projects—the GovNext contracts, effectively. So a gateway review was undertaken at that stage of the process of GCIO and how they handled GovNext.

Mr D.C. NALDER: Okay, and the findings were all —

Ms NOLAN: Gateway reviews always raise issues. It is how you deal with those issues that is the important part. There were no systemic issues or anything that raised so many flags that we considered that it was not appropriate to sign these contracts.

Mr D.C. NALDER: If I can take a slightly different tack, one of the things that I said to the former Premier about the Office of Shared Services, for example, was that in my view, the principle was right; the implementation is where it failed. Some of that was because there is not standardised financial reporting, and we did not deal with the award issues and some of the other things that needed to be dealt with. This goes back to when you and I were chatting about this three and a half years ago. I have no question about the principle. It is just making sure that the implementation, which is totally different, is delivered in a manner that will deliver the outcomes that we expect it to deliver. Do you have a sense of that and are you comfortable with where that is tracking?

Ms NOLAN: I agree with your starting position that in most cases there are some really great ideas out there; it is how they are implemented that really counts. Poor implementation can hinder the best of ideas. It is a sad fact of life that sometimes not enough effort is put into the translation between the great idea and what is being implemented, whether that be project management or the articulation of the objective and how it will be achieved to the broader set of stakeholders. The GovNext process has good governance around it in terms of using the DGs as a group. That was one of the things where perhaps Shared Services did not have the same degree of rigour in terms of presentation to the group of directors general. I am a member of that group of DGs and I can assure you we questioned robustly the GCIO in terms of what they are doing. I think they sometimes get a little frustrated by our many and varied questions. We are not ICT experts, but we understand as a group what it takes to put in successful projects and what collaboration really means as opposed to lip service. I think that is an important part of what we have achieved in this process. There will always be people who would detract from what we are trying to achieve and say there are other

ways of doing it, but you have to basically take that into consideration upfront, make a decision and move forward. I think the GCIO has done a good job in doing that and putting the contracts in place.

The real issue now is that the GCIO's approach on GovNext is very different from that of Shared Services. It leaves all the decision-making ultimately in the hands of the agency, in conjunction with the appropriate processes throughout government. That is probably a distinct difference between some of the other ways we could take it, by having the decision-making within the GCIO. This is a more decentralised approach to decision-making, but it is in a very constrained manner and with the appropriate checks and balances. It is a good approach. If we take the Department of Finance as an agency, the GovNext contracts were let. We then went through a very extensive process to work out how we would implement that for the Department of Finance and how we would migrate all our applications to the cloud and how we would reduce the infrastructure needs significantly. We then put that through a gateway process as well in terms of our decision-making as an agency. It became very much our internal decision. We had to own that decision, notwithstanding that we had to avail ourselves of the common-user agreement for GovNext purchase.

I think the process is a good one and it is a good split between centralised guidance and the centralised buying power that you achieve through a common-user agreement and the expertise in developing guidelines and the like to assist agencies. Agencies then are responsible for how that is implemented in their agency, but in a supportive manner. It always goes to the question of providing extended support, whether that support is sort of hands off or hands on. Different agencies will need different levels of support. We have been very fortunate in the Department of Finance that we have been at the front end. We have also worked very closely with the GCIO. In terms of our own processes, we are very well advanced in implementing GovNext.

[11.20 am]

Mr D.C. NALDER: Just taking that another step, one of the things that came out in our discussion with Giles recently, and it was one of my observations as minister, is that there is not standardised financial reporting across agencies, and that makes it difficult for us to determine what is really being spent in common areas across government. Could, and should, Finance play a greater role, or could it be better supported? We are a parliamentary committee that is making recommendations to government. Do you believe there is a need to ensure that government agencies report in a consistent way, so that there may be a one-page P&L, but when we talk about IT, this is how it is reported, so that we get greater transparency from agencies and a greater consistency of transparency?

Ms NOLAN: Quality data is the secret to most things in terms of being able to look at it and make sensible decisions. Any public policy decision is aided by access to good data. Treasury is responsible for the nature and format of financial reporting, not Department of Finance, so in terms of Treasurer's Instructions as to how finances are reported, that largely comes under their bailiwick. To make a more general comment, I think as we move forward we will see an increasing convergence because there will be such a strong desire to see better analysis of financial data and greater capability as we get the data stronger and there is more ICT compatibility and the like. I think we will see that emerge as a need. However, at a personal level, it is not within the Department of Finance's remit to do so; it is within Treasury's.

Mr D.C. NALDER: As a parliamentary committee, is there anything that you would like to recommend to us that would make life easier? This is in regard to what we are talking about on ICT reform. We are trying to think it through and we will be reporting back on these types of things. Are there things that we could do to support and ensure that governance is the best it can be?

Ms NOLAN: The continual emphasis on working across government and making whole-of-government decisions, notwithstanding that ownership and ability to finesse within the department, but that balancing act between whole of government and individual agencies will increasingly be an issue. I think the way to handle that is by open and transparent and collaborative ways of working. We continually need to reinforce with the public sector that our political masters demand that of us and that is how we need to work going forward. That is very important.

In terms of other aspects, we can over-emphasise the significance of rules when it is really culture that makes the major difference in how many of these things operate. It is about the change in the culture in the WA public sector. Fiscal problems always provide a great learning platform in terms of changes in culture and to focus on ways of saving money. That is very important. So, taking advantage of where we are now, the service priority review and the like are really good examples of how we can harness some effort to drive down the cost of doing business in government while improving service delivery. I do not know whether that answers your question directly. We should guard against putting more rules in place and very much focus on culture and ways of working together.

The CHAIR: With regard to your agency and the use of GovNext, how much do you estimate you have saved?

Ms NOLAN: I am delighted to say that we will probably be the first to sign a GovNext contract. We wanted to be an exemplar in this area. If the Department of Finance was not a strong supporter, we would be a bit poor in our leadership stakes. We have certainly seen our role as being very much a leader in this area and we hope to be in a position to sign contracts pretty soon, and at that point we will perhaps be able to provide more detail about what the savings are, but I can assure you that it is in the order of the 15 per cent that has been spoken of.

Mr B. URBAN: How many DGs are on the DG group that you spoke about?

Ms NOLAN: From memory, there are six or seven of us.

Mr B. URBAN: During those discussions, did you reach an agreement on procurement?

Ms NOLAN: The procurement processes are very well described in the policies and procedures that we have under the State Supply Act. So we have not tended to focus necessarily on the actual procurement processes, with the exception of the very isolated, and very significant, common-user agreement for GovNext—the three contractors who were selected. That procurement process we looked at in detail, which was whole of government, rather than individual agencies. Did that answer your question?

Mr B. URBAN: Yes.

The CHAIR: Once again, thank you very much for appearing today and providing evidence before the committee. A transcript of this hearing will be forwarded to you for correction of minor errors. Any such corrections must be made and the transcript returned within 10 working days from the date of the letter attached to the transcript. If the transcript is not returned within this period, it will be deemed to be correct. New material cannot be added via these corrections and the sense of your evidence cannot be altered. Should you wish to provide additional information or elaborate on particular points, please include a supplementary submission for the committee's consideration when you return your corrected transcript of evidence.

Ms NOLAN: Thank you very much for the opportunity.

Hearing concluded at 11.26 am
