



Australian Government  
Digital Transformation Agency

# Report of the ICT Procurement Taskforce





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# Contents

- Executive summary..... 1**
  - A whole-of-government ICT procurement for the digital age ..... 4
  - Whole-of-government ICT procurement policy principles..... 4
    - Recommendation 1* ..... 5
  - Whole-of-government targets ..... 5
    - Recommendation 2* ..... 6
    - Whole-of-government strategies* ..... 6
    - Procurement is only part of the story* ..... 11
- Introduction .....12**
- What ICT does the government procure?.....14**
  - How is the government’s ICT procurement reported and measured? ..... 14
    - ICT spend versus estimated procurement* ..... 14
    - Current spend and procurement commitments*..... 15
  - How does the government procure ICT? ..... 19
    - How does the government make ICT investment decisions?* ..... 23
- Why does the government need a new system of ICT procurement?.....24**
  - Both agencies and businesses view the government’s ICT procurement processes as time consuming, complex and costly ..... 25
  - The conservative and risk-averse culture of the APS makes it difficult to get innovative solutions into government ..... 26
  - There is a lack of coordination, collaboration and transparency of whole-of-government ICT procurement..... 28
  - Despite past reviews into problems of government ICT, these problems remain ..... 30
  - ICT procurement is only part of the problem ..... 31
- A new Government ICT procurement framework.....34**
  - Recommendation 2* ..... 36
  - Strategy 1: ICT procurement will be data driven, measureable and transparent ..... 39
    - Conclusions*..... 41

Strategy 2: ICT procurement will be more directed and delivered by a highly capable APS .....	43
<i>Case Study 2: NZ functional leadership</i> .....	46
<i>Recommendations</i> .....	47
Strategy 3: ICT procurement will be coordinated across government.....	48
<i>Case Study 3: Government Digital Service in the UK and recent review of progress</i> .....	49
<i>Recommendations</i> .....	52
Strategy 4: ICT procurement will encourage innovation and SME participation .....	55
<i>Inconsistent and complex procurement processes</i> .....	55
Agencies do not engage well with suppliers .....	56
<i>Panel arrangements can be overly complicated and can exclude new suppliers</i> .....	57
<i>Lack of a clear innovation pathway</i> .....	59
<i>Security requirements limiting uptake of new technologies</i> .....	60
<i>Recommendations</i> .....	61
Strategy 5: ICT procurement policies and outcomes will be reviewed regularly .....	63
<i>Recommendation 10</i> .....	63
<b>Glossary of abbreviations and terms</b> .....	<b>64</b>
<b>Table of Figures</b> .....	<b>65</b>



## Executive summary

The Australian Government's annual spend on Information and Communications Technology (ICT) goods and services is significant and is comparable to its spend on a large social welfare program, such as the Newstart Allowance.

In 2015–16, Australian Government agencies reported that they spent \$6.2 billion on ICT goods and services. In that same year, agencies estimated that they would procure \$9.0 billion of ICT goods and services into future years across 17,000 contracts.

The bulk of this ICT procurement will be undertaken by just a handful of agencies. In 2015–16 six agencies — Defence, Human Services, Immigration, Foreign Affairs and the Australian Taxation Office — accounted for 76 per cent of the value of Australian government ICT procurement, with another 99 agencies responsible for the remaining 24 per cent. Likewise, a small number of very large and long procurements will drive almost half of total commitments. In 2015–16 the 100 biggest procurement contracts had a value of \$4.1 billion, or 46 per cent of the total value, with the remaining 17,000 procurements making up the other 54 per cent.

ICT procurement activity is carried out in a devolved environment, where agencies are largely responsible for their own processes and practices. This has been the case since public sector reforms of the late 1990s. The Commonwealth Procurement Rules (the CPRs) set out principles and rules with which government agencies must comply when procuring goods and services. However, the implementation of the CPRs is at the discretion of individual government agencies, and formal and informal processes for ICT procurement can differ markedly from agency to agency.

The taskforce's consultations revealed deep dissatisfaction of almost all parties involved in current government procurement practices and processes.

Government agencies told the taskforce that they find procurement processes outdated, cumbersome and unable to meet their needs. They are concerned that they are being left behind in adopting new and innovative technologies to deliver services.

Businesses find selling ICT goods and services to government to be costly and confusing, and occasionally cannot justify the required investment of money and time for an uncertain payoff.

The Government is also frustrated that its considerable investment in ICT is not delivering its digital transformation agenda quickly enough for the benefit of the Australian economy and society. In recognition of this, it established this taskforce as part of its *Policy for Better and More Accessible Digital Services* 2016 election commitment to identify opportunities for considerable reform of current procurement arrangements.

Through its consultation and research, the taskforce has concluded that there are three significant impediments to improving government ICT procurement across government:

1. Lack of centralised policies, coordination, reporting, oversight and accountability arising from more than 20 years of devolved agency decision-making.
2. Limited capability and the risk adverse nature of the Australian Public Service with a focus on compliance, a fear of failure, poor collaboration and industry engagement.
3. Practices that do not reflect contemporary procurement best practice or support innovative technology choices, with existing systems firmly rooted in the bespoke and waterfall models of the past, and not the agile, consumer technology models of the present.

Addressing these impediments would result in a future state for government ICT procurement:

- The Government has confidence that its annual ICT spend and intended procurement will deliver on its digital transformation agenda to improve government services for users.
- ICT expenditure across government is measurably more efficient and rigorously monitored on an ongoing basis.
- User benefits are delivered early and often in ICT projects, are transparent and measurable.



- Agencies have the guidance, capability and confidence to take new approaches to procurement, including engaging industry in mutually beneficial strategic partnerships.
- ICT SMEs have greater access to significant government projects through well-considered and consistent agency procurement practices.
- Agencies are fully exploiting opportunities for collaboration, building, and reusing common platforms for service delivery.
- Government procurement reflects contemporary techniques, technologies and practices.

The taskforce is aware that reviews by successive governments since 2008 have highlighted issues with Government decision-making and delivery around ICT projects. Most notably, the 2008 Gershon Review, the 2010 Reinecke Review, the 2014 Audit of the ICT Reform Program and the 2015 Belcher Review all identified similar problems with the Government's governance, oversight and capability when it comes to ICT and its procurement.

The taskforce therefore considers that 'more of the same' will not improve ICT procurement outcomes for government. The taskforce has concluded that there is an urgent need for stronger controls to be applied, at least in the medium-term, if ICT procurement is to contribute to achievement of the government's digital transformation agenda.

The taskforce considers that achieving real reform will require:

- Targeted re-centralisation — particularly in mandated policy settings, data collection, reporting and oversight — at least for the medium term.
- Greater coordination of procurement activities using contemporary practices that support innovation.
- Strengthening the capability of the APS to design and deliver complex ICT procurement.

The government has taken recent decisions that provide a platform on which it can build a reformed approach to ICT procurement. The establishment of the Digital Transformation Agency has brought together, for the very first time in government, all the 'levers' to effect real reform in the way that government delivers its services using ICT and digital technologies.

The taskforce's recommendations will build on this strong base.

## A whole-of-government ICT procurement for the digital age

The taskforce recommends the development and implementation of a new whole-of-government ICT procurement framework for the digital age. The framework would consist of whole-of-government ICT procurement policy principles, targets and strategies that are mandated and for which all departments and agencies are accountable. These are set out in this Report.

## Whole-of-government ICT procurement policy principles

The framework would include whole-of-government ICT procurement policy principles to identify the overarching objectives that government expects to be delivered through its considerable ICT spend. These ICT policy principles would complement, not override, broader government procurement rules and value for money would remain at the centre of decision-making.

The taskforce has developed an initial set of principles. The proposed principles would drive the use of agile rather than waterfall procurement approaches with smaller and more regular approaches to market, reflecting contemporary best practice.

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## *Recommendation 1*

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The taskforce recommends adopting a framework for ICT procurement that includes ICT procurement policy principles to guide decision-making.

ICT procurement in the Australian Government will:

- encourage competition
- be innovative — iterate often, fail fast
- be structured in a way that enables SMEs to compete fairly to directly provide components of significant ICT projects
- be outcomes focussed
- use open standards and ‘cloud first’ approaches
- minimise cyber security risks
- not duplicate the building of platforms that have been built by other agencies.

All agencies will be required to report on compliance with these principles as part of their annual report performance statements.

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## Whole-of-government targets

The framework would also include annual targets for ICT procurement activity and spending. This would allow the government to measure how it is achieving its strategic ICT goals.

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## *Recommendation 2*

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The taskforce recommends setting annual targets for ICT procurement. An initial set of annual targets could comprise:

- An annual, whole-of-government cap on internal and external ICT spending, with a target to reduce total annual ICT spending by 10 per cent over the next four years.
- Maximum contract amounts and lengths for all ICT procurement.
- Metrics on the quantum and timing of benefits realisation for all significant ICT projects.
- A measurement of the amount of ICT spending on agreed government priorities.
- A metric on the number of agencies that are using/building common platforms.
- A metric on the percentage of annual ICT spending on significant projects going to Australian businesses, including a breakdown of the amount going to Australian SMEs.

All agencies will be required to provide an annual report to government on their contributions to achievement of targets.

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## **Whole-of-government strategies**

It is not possible, nor desirable for all ICT procurement to be centralised within government. ICT is not an end in itself but supports the business of departments who retain ownership of, and responsibility for, that business. However, shared strategies that are actively pursued by all agencies are needed if real ICT procurement reform is to be achieved.

The taskforce recommends five strategies that would form part of the new framework.

*ICT procurement will be data driven, measureable and transparent*

The government lacks a consistent and comprehensive dataset on ICT expenditure and outcomes. This lack of high-quality, comparative data makes it difficult for the government to develop more informed ICT procurement policies and to evaluate whole-of-government ICT outcomes. It also reduces the transparency of government ICT spending to the public.

It was the taskforce's experience through the submission process that industry also lacks consistent and comprehensive data relying on anecdotes to make the case for change more often than data.

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*Recommendation 3*

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The taskforce recommends establishing a comprehensive dataset of government ICT spend that will allow greater analysis at a portfolio and project level, including forward projections of ICT investment levels.

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*Recommendation 4*

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The taskforce recommends developing a public dashboard of significant ICT projects and spending that will allow the government and public to see the status and outcomes of its ICT investment decisions.

*ICT procurement will be more directed and delivered by a highly capable Australian Public Service*

The new framework would also include a comprehensive ICT strategy to help guide agencies' ICT procurement decisions in order to drive the government's digital transformation agenda. A comprehensive ICT strategy would give agencies direction on technology choices, preferred delivery approaches and service standards. Agencies will also need the appropriate mix of ICT procurement and technical capabilities, supported by the right leadership, to successfully invest in and procure the right ICT to deliver government services.

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### *Recommendation 5*

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The taskforce recommends developing a comprehensive and contemporary ICT strategy to guide procurement approaches. This would seek to update and incorporate relevant existing policies, such as the government's cloud strategy and the Digital Service Standard.

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### *Recommendation 6*

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The taskforce recommends developing a medium-term strategy for building the Australian Public Service's ICT procurement capability and culture.

#### *ICT procurement will be coordinated across government*

There is currently no comprehensive, coordinated and whole-of-government approach to ICT procurement. Instead, the current system is fragmented and largely decentralised. This results in significant duplication across agencies, identified as a contributing factor in major ICT failures. This is not a new issue, as previous reports such as the 2008 Gershon Review have highlighted this as an ongoing problem.

The taskforce considers urgent major reform is required to address this duplication.

Devolution of resource responsibility to secretaries of departments and agency heads remains appropriate, as they are ultimately the business owners of the areas of their responsibility. However, this does not mean that the procurement of ICT to support their business cannot be better coordinated across government.

The taskforce notes that previous attempts to improve and drive coordination of ICT across government have not been successful. The taskforce considers that much stronger controls will need to be applied to ICT procurement, at least in the medium term, to achieve the government's objectives.

The private sector has successfully established and run strategic business partnerships with its suppliers. These partnerships have led to better outcomes, more innovation and cost savings. The government should apply partnership approaches to its major suppliers. The government should engage the leading vendors by volume to maximise the benefits across government. A centralised approach could lead to better

capacity management, co-investment, shared risks and should accelerate the deployment of key technologies.

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### *Recommendation 7*

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The taskforce recommends that a coordination process be mandated for significant ICT procurements and significant ICT vendor relationships to:

- provide a clear definition of 'significant' procurement and relationships
- apply a strategic business partnerships model
- develop an annual ICT procurement 'pipeline'
- identify an oversight body that will develop a platform for the secure sharing of information and data across government and advise government on APS procurement performance
- include incentives for the building, funding and use of whole-of-government platforms
- develop shared procurement approaches to market where efficient.

### *ICT procurement will encourage innovation and SME participation*

Industry expects government to make ICT procurement simpler, cheaper, more transparent and outcomes focused. This includes panel standardisation and consolidation, contract simplification and removing barriers to the adoption of innovative technologies. There is, currently, no clear pathway for the ICT industry to pitch innovative solutions, nor the tools and incentives for agencies to take them forward.

The taskforce has identified a range of simple changes to standardise and simplify ICT procurement practices for agencies, with the aim of making it easier for businesses of all sizes and government agencies to do business together. The taskforce also considers that there would be benefit in introducing a new procurement pathway that better supports commodity purchases. This pathway would replace some existing ICT panels with a catalogue-based e-procurement approach offering

easy comparisons between offers, click to buy, and dynamic pricing. There would also be significant value in a new procurement pathway that encourages innovation and small-scale experimentation.

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### *Recommendation 8*

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The taskforce recommends immediate simplification of a range of ICT procurement practices for agencies, including reforms to ICT procurement panel arrangements.

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### *Recommendation 9*

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The taskforce recommends developing new ICT procurement pathways for:

- catalogue-based e-procurements
- innovative and small-scale experimentation procurements

### *ICT procurement policies and outcomes will be reviewed regularly*

A key finding of the ICT procurement taskforce has been that despite a series of reviews by government into the performance of its ICT practices and policies, the outcomes of government ICT activity continues to fail to meet the demands of the government.

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### *Recommendation 10*

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The taskforce recommends regular review and renewal of the ICT procurement framework and ICT policies so they continue to reflect contemporary best practice in a rapidly changing technology environment.



## Procurement is only part of the story

While its terms of reference confined the taskforce's investigation to ICT procurement, the taskforce recognises this as just part of the life cycle for the delivery of ICT-based services across government. Government (and agencies) make important decisions at the investment stage — including through the Federal Budget process — and throughout the delivery stage.

Therefore, procurement decisions cannot be seen in isolation.

The taskforce observes that it would be timely for the government to consider more broadly whether its decision-making process regarding ICT, including investment and delivery assurance processes, need reviewing to ensure they are aligned with, and support the delivery of, its digital transformation agenda.

## Introduction

The ICT procurement taskforce was established in October 2016, as part of the Australian Government's *Policy for Better and More Accessible Digital Services 2016* election commitment.<sup>1</sup>

As part of the election commitment, the taskforce was required to:

- identify existing procurement barriers and opportunities to streamline ICT procurement
- identify opportunities to make it easier for start-ups and small and medium businesses to compete for government ICT contracts.

The taskforce has adopted a broad interpretation of procurement and therefore the matters in scope of this report. Procurement covers the life cycle of a product or service, including expression of a need, identification of solutions, acquisition, implementation, evaluation, and retirement. The report has also taken procurement to include the management of relationships with the market, and the strategic environment in which procurement decisions are made.

The taskforce comprised staff and resources from the Department of the Prime Minister and Cabinet (PM&C), the Digital Transformation Agency (DTA), the Australian Taxation Office (ATO), and the following government departments: Defence, Finance, Health, Human Services, Immigration and Border Protection, and Industry, Innovation and Science.

On 25 November 2016, the taskforce released an online consultation paper that summarised the current state of government ICT procurement and solicited industry and public feedback on three themes — rules, capability and culture.<sup>2</sup>

The consultation phase ended on 31 January 2017. The taskforce received 36 submissions from ICT businesses, industry associations and government agencies. The taskforce also held a series of one-on-one meetings and industry roundtables between December 2016 and February 2017. This included five roundtables involving 77 participants, 36 one-on-one interviews with industry stakeholders, and 20 interviews with federal, state and territory public servants directly involved with procurement. The taskforce also held a significant number of

consultations with senior public service executives about their views on the effectiveness and outcomes of the government's ICT procurement processes.

This report has three sections. Section one sets the context of what ICT procurement the government undertakes and how it does it. Section two looks at where this ICT procurement is failing to deliver on the government's and the public's expectations. Section three sets out a future vision of a new framework for government ICT procurement, and outlines three strategies for the government to achieve this.

# What ICT does the government procure?

## How is the government's ICT procurement reported and measured?

The *Public Governance, Performance and Accountability Act 2013* requires certain agencies — all those classified as Non-corporate Commonwealth Entities (NCEs) and a subset of prescribed Corporate Commonwealth Entities (CCEs) — to report procurements that are above a certain value to the AusTender website, and to report any significant variation of those procurements. For non-construction-related procurements, this value is \$10,000 for NCEs, and \$400,000 for the prescribed CCEs.

As of 1 May 2017, 115 agencies (94 NCEs and 21 CCEs) were required to report their procurements to AusTender, and in 2015–16 a total of 106 of these reported one or more ICT procurements of at least \$10,000.<sup>3</sup> AusTender data is publicly available and can be aggregated and analysed — in writing this report, the taskforce has used third-party analysis of the AusTender database by Intermedium.

## ICT spend versus estimated procurement

NCEs are also required to report to the Department of Finance their annual ICT expenditure as part of the ICT Trends Report. In 2015–16, the ICT Trends Report showed that agencies had a combined ICT expenditure for the year of \$6.2 billion.<sup>4</sup> This is significantly different to the \$9 billion of ICT procurement commitments the government entered into in 2015–16. This discrepancy is caused by the two separate approaches the government takes to reporting ICT spending through the ICT Trends Report versus the reporting of ICT procurement through AusTender reporting.

The government's reporting of ICT spending excludes military ICT, which is the single largest source of ICT procurement. However, the ICT spending measure does include expenditure on the government's internal ICT salaries and wages, which amounted to \$1.4 billion in 2015–16.<sup>5</sup>

The second main contributor to the difference between the \$6.2 billion ICT spend and the \$9 billion ICT procurement is that the ICT procurement data captures the total

value of each ICT contract an agency has entered into. Although contracts can span several years, they are reported on AusTender as a single lump sum. In contrast, the ICT spending data is reported on the actual expenditure that occurred during a financial year. This means the procurement commitment reported on AusTender will usually be higher than actual expenditure by agencies.

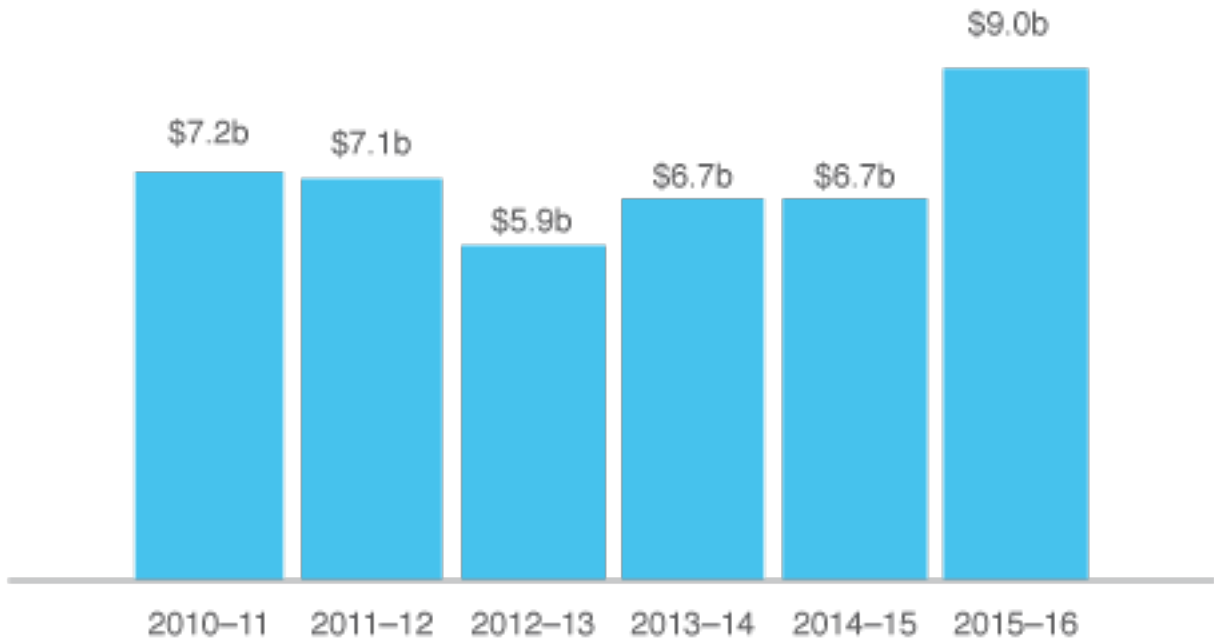
This report focuses on the government's ICT procurement data, as it provides a better reflection of how and what the government is procuring when it comes to ICT goods and services, and is available at a significantly greater level of granularity than what is reported through the ICT Trends Report.

## Current spend and procurement commitments

The government's annual spend on ICT is significant, amounting to about the same as it spends on a large social welfare program such as the Newstart Allowance. Each year, the government commits to spending about \$7 billion on ICT goods and services (including defence military) through an average of around 16,000 contracts.<sup>6</sup>

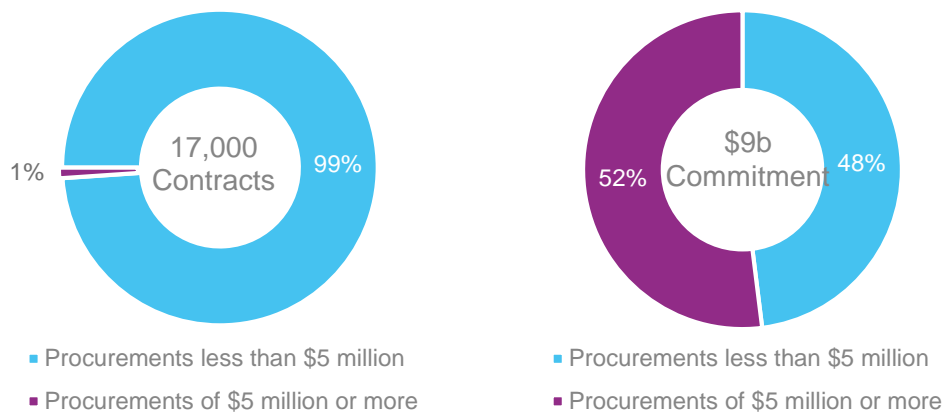
The value and volume of ICT procurements spiked in 2015–16, when the government committed to spend \$9 billion through around 17,000 contracts and spent an additional \$1.4 billion on internal ICT personnel. A lack of available forward procurement plans makes it difficult to determine whether 2015–16 represented an exceptional year or a new baseline for ICT spending.

Figure 1: Value of government ICT procurement, 2010–11 to 2015–16 <sup>7</sup>



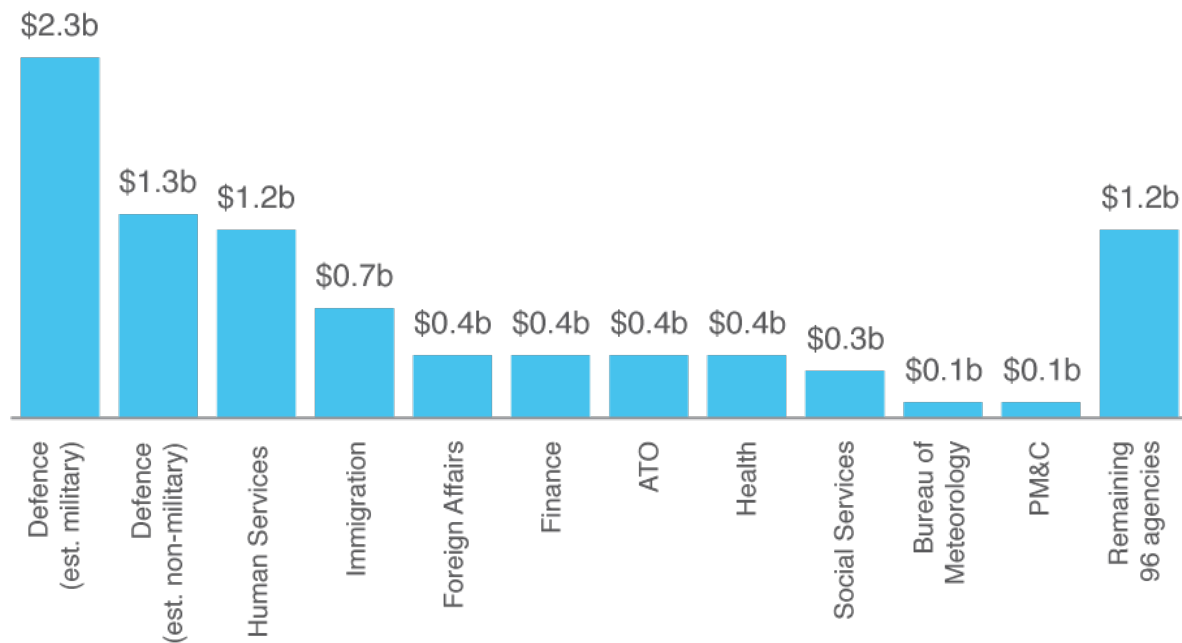
A very small number of the government’s 17,000 ICT procurements drive most of the government’s ICT commitments. In 2015–16, less than 200 ICT procurements (1 per cent) were worth \$5 million or more, but these procurements were responsible for \$4.7 billion (52 per cent) of the government’s \$9 billion of ICT commitments, with an average value of \$25 million each. The remaining procurements had an average value of \$0.25 million each, but collectively were worth 48 per cent of the government’s \$9 billion ICT commitment (see Figure 2).

Figure 2: Size of government ICT procurements in 2015–16 by amount and value <sup>8</sup>



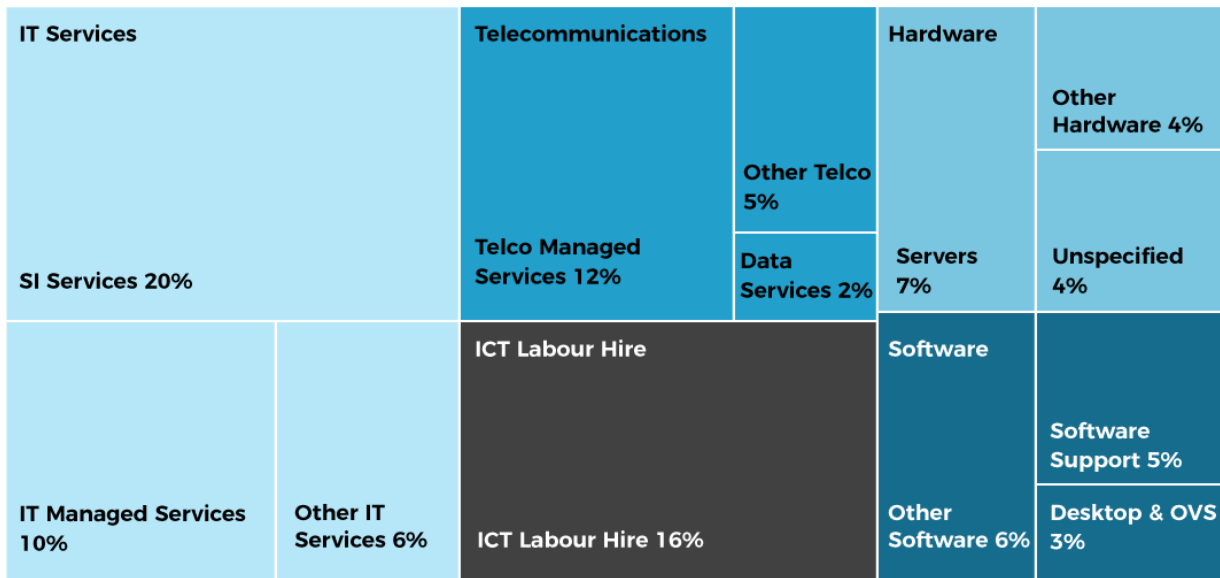
A small number of large government agencies are responsible for the vast majority of ICT goods and services purchases. Of the 106 government agencies that record their ICT procurements on AusTender, 10 agencies accounted for more than 86 per cent of the \$9 billion committed in 2015–16. The remaining 14 per cent were spread across the other 96 agencies (see *Figure 3*).

*Figure 3: Agency spending on ICT procurement in 2015–16*<sup>9</sup>



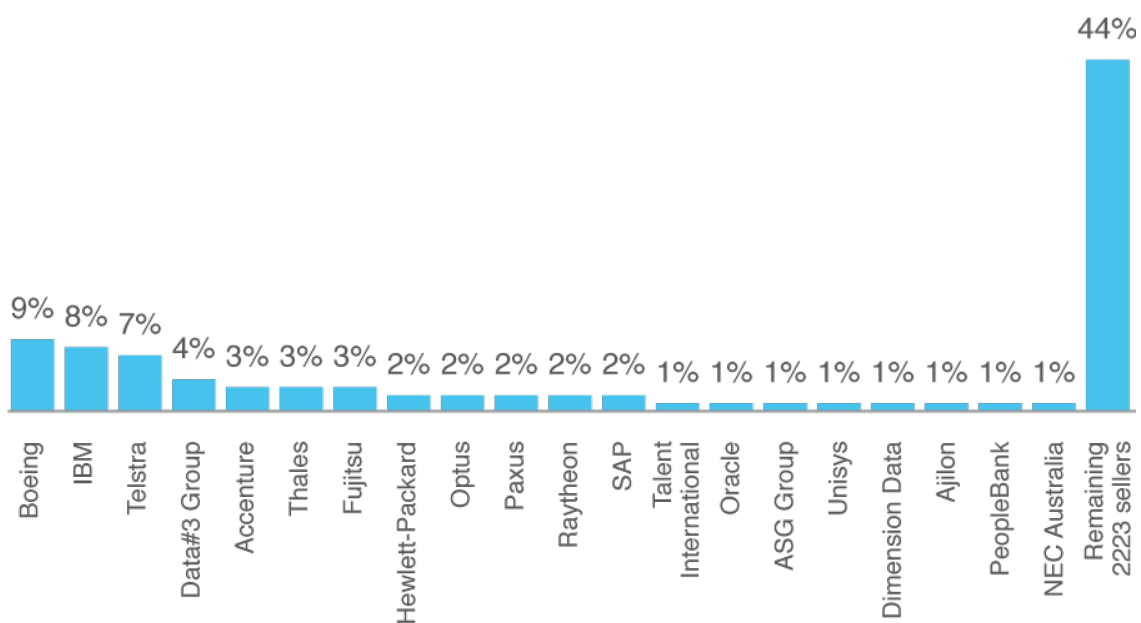
The largest spend is on services, which accounted for 52 per cent of ICT procurements in 2015–16 (see *Figure 4*). The biggest categories of ICT services procured were system integration services (20 per cent), external ICT labour hire (15 per cent) and managed IT services (10 per cent). The other 48 per cent of ICT procurements were for goods—telecommunications (19 per cent), hardware (15 per cent) and software (14 per cent).

Figure 4: Category and subcategory of government ICT procurements by portion in 2015–16<sup>10</sup>



A relatively small number of sellers receive most of the value of ICT procurement. The 20 biggest sellers received about 55 per cent of the \$9 billion in 2015–16, with the remaining 45 per cent split across 2,200 smaller sellers.<sup>11</sup> Small-to-medium enterprises, defined as those businesses with 200 or less employees, received 30 per cent of the ICT procurement contract in 2015–16 by value and 59 per cent by volume.<sup>12</sup>

Figure 5: Government ICT procurements in 2015-16 by vendor by value





## How does the government procure ICT?

Government procurements are carried out in accordance with the Commonwealth Procurement Rules (the CPRs). The CPRs lay out principles and rules that government agencies must comply with when procuring goods and services.

The core requirement of the CPRs is that all procurements must achieve 'value for money'. Value for money is not solely defined as achieving the lowest cost. Instead, the CPRs require agencies to consider both financial and non-financial value, including the quality of goods and services, whole-of-life costs, fitness for purpose, the flexibility of the proposal and how innovative the proposal is.

The CPRs set out three methods of procurement:

- Open tender – an open approach to market that invites submissions from all potential suppliers.
- Prequalified tender – a non-open approach to market that invites submissions from a pre-existing list of potential suppliers.
- Limited tender – a non-open approach that invites submissions from one or more potential suppliers. This includes direct approaches to single suppliers, and supplier-initiated approaches to agency buyers.

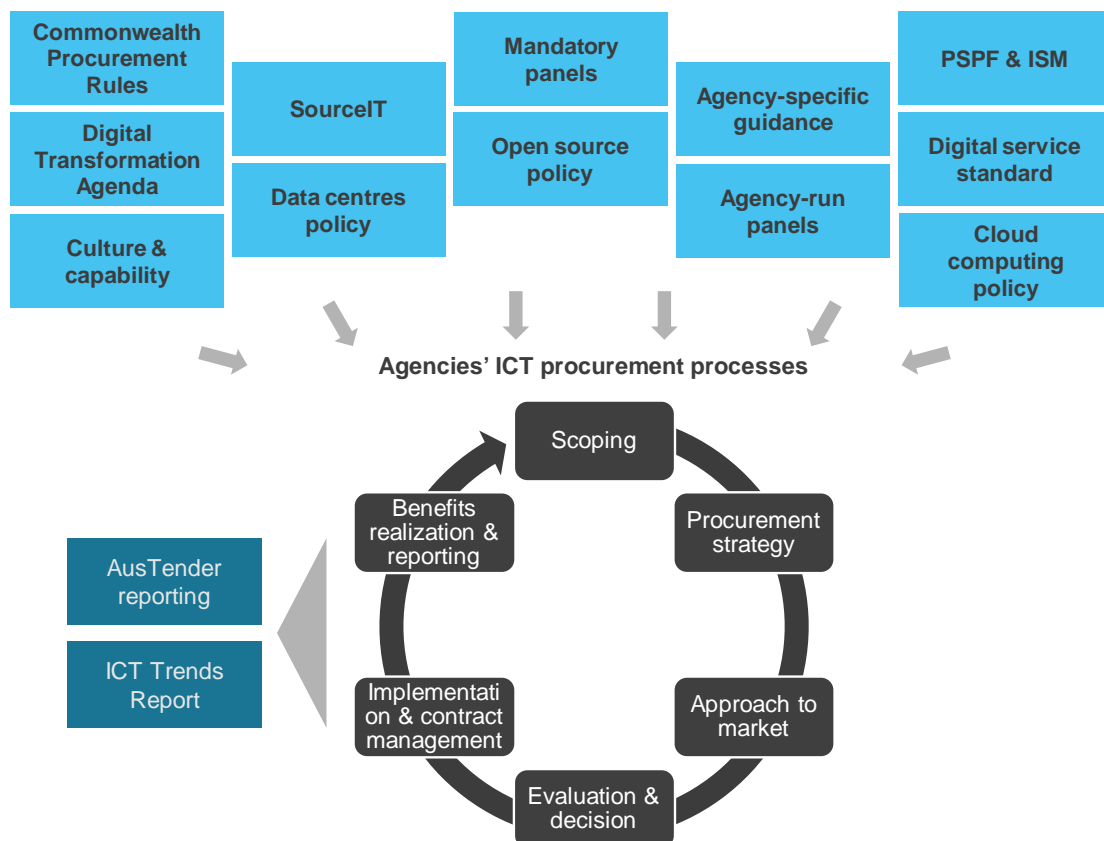
The CPRs require that procurements at or above \$80,000 will go through an open tender or prequalified tender unless there is a valid reason or exception not to. The approach to market required under open and prequalified tenders includes processes such as request for tender, request for quote, request for expression of interest, request for information, and request for proposal.

It is the responsibility of individual agencies to identify what ICT goods and services they need, and how to acquire them. Each agency provides agency-specific information on procurement in their Accountable Authority Instructions and other related guidance. These provide government officials with the detailed instructions on how procurement should be carried out in their specific agency, including operational

rules, approval processes, contracts and templates. As such, the actual experience of government procurement, for both buyers and sellers, differs across agencies.

Panels are a major feature of the ICT procurement landscape. A panel is a type of standing offer arrangement established by an agency through a tender process, under which one or more providers are selected to supply goods and services to government. Panels can be created through either an open tender or a prequalified tender, and can be restricted to a single agency or can be used by multiple agencies. Panels are generally established for a period of three to five years, and the underlying arrangement can stipulate whether additional suppliers can be added to the panel in a process known as “refreshing”.

Figure 6: Representation of the current state of government ICT procurement processes



Agencies establish panels to simplify and streamline their procurement activities, as panels allow agencies to purchase goods or services directly from panellists without having to go through a full open, prequalified or Direct Tender process. There are currently some 40 ICT panels across government. In 2015–16, 50 per cent of the \$9.0 billion of ICT procurements was awarded through panels and other standing offer arrangements, 27 per cent through open approaches to market, 22 per cent through limited tenders, and the remainder through prequalified tenders.<sup>13</sup>

Seven of the 40 ICT panels are whole-of-government ICT panels that were historically managed by the Department of Finance, and became responsibility of the DTA in May 2017. Of these, six are mandatory panels — agencies must purchase the specific ICT goods and services covered by these six panels only from these panels unless an exemption is granted.

The seven whole-of-government ICT panels are:

- The Data Centre Facilities Panel
- The Data Centre Facilities Supplies Panel
- The ICT Hardware and Associated Services Panel
- The Internet Based Connection Services Panel
- The Mobile Panel
- The Telecommunications Services Panel
- The non-mandatory Cloud Services Panel

There is also a mandatory whole-of-government standing offer arrangement that must be used when purchasing some specific Microsoft software and support products, known as the volume sourcing agreement. The Department of Finance estimates that the implementation of these mandatory whole-of-government ICT arrangements — the six mandatory panels and the volume sourcing agreement — has resulted in more than \$1.2 billion of cost reductions and savings since their introduction in 2008.<sup>14</sup>

In addition to panels, a number of whole-of-government ICT policies inform how agencies procure ICT goods and services:

The Digital Service Standard requires that all designed or redesigned government services must meet 13 criteria about how the service should be designed, delivered and reported on.

- The cloud computing policy requires agencies to use cloud services, provided they are deemed fit for purpose and represent value for money, for any new services or replacements of existing services.
- The data centre strategy requires agencies to use the Data Centre Facilities Panel and the Data Centre Facilities Supplies Panel when purchasing data centre goods and services.
- The open source software policy requires agencies to consider all types of available open source software through their ICT procurement processes.
- The Portfolio Panels for IT services policy requires agencies to limit the number of panels for ICT services they manage to three or less.
- The ICT investment approval process for new policy proposals is a component of the government's budget process that requires agencies seeking new funding for large, high-risk, ICT-enabled proposals to prepare a detailed, multi-stage business case.
- The Protective Security Policy Framework and the related Information Security Manual requires agencies to comply with a set of standards to manage security risks to their people, information and assets. While not exclusive to ICT, the framework does have a strong influence on how agencies procure ICT goods and services.

The government also provides some ICT-specific guidance to help agencies carry out ICT procurement. The Department of Finance provides model contract templates to simplify ICT procurement through the SourceIT contract suite. Model contracts exist for simple ICT procurement, such as hardware acquisition, and more complex ICT services, such as systems integration.

## How does the government make ICT investment decisions?

The government has two methods through which it makes ICT investment decisions.

The first, and more commonly used method, is for individual agencies to use their existing budgets to make the ICT investment decisions they deem necessary to deliver the services the government requires of them, and to deploy the necessary internal business systems to run their agency. These agency self-funded ICT investment decisions must comply with the Commonwealth Resource Management Framework.

The second method is for individual agencies to seek additional funding for ICT investments as a new policy proposal through the budget process, which can involve both dedicated ICT investment proposals and ICT-related components of policy proposals. NPP-funded ICT investment decisions are considered by government in the broader context of the budget process.

An additional layer of scrutiny is applied to those NPP-funded ICT investment decisions that are high-value (defined as ICT costs of \$10 million or more) and are deemed high-risk by the Department of Finance. Such proposals are subject to the ICT investment approval process (previously known as the ICT two-pass review process). The ICT investment approval process requires that before high-value and high-risk ICT proposals can be formally considered by government, they must prepare a detailed, multi-stage business case for the proposal.

## Why does the government need a new system of ICT procurement?

The taskforce identified several reasons why the existing framework of ICT procurement needs to be replaced:

- Agencies and businesses find current processes to be time-consuming, complex and costly.
- The risk-averse culture of the Australian Public Service makes it difficult to get innovative solutions into government.
- There is a lack of coordination, collaboration and transparency of whole-of-government ICT procurement.
- Despite previous past reviews into the issues, the problems remain.

The decentralised nature of ICT procurement means that fixing these problems is extremely challenging. There is no single government ICT procurement system that if improved can address the complaints and problems identified by agency and industry stakeholders and by government itself. Instead, each individual agency operates its own ICT procurement processes. While the CPRs establish mandatory rules for how agencies must conduct their procurements, agencies have the flexibility to apply and interpret these rules to meet their individual needs — and in practice, there are significant variations in application of the CPRs across agencies.

## Both agencies and businesses view the government's ICT procurement processes as time consuming, complex and costly

The taskforce consulted extensively with agency buyers, business sellers, industry associations, procurement experts and academics on the performance of the government's existing ICT procurement processes. There was broad consensus among all stakeholders that the government's ICT procurement practices are cumbersome and resource intensive and tender processes are too time-consuming, complex and costly.

*Tenders and RFPs are often overly long, complex, duplicate the same information and require responses to be in exactly the desired format. This does not provide a good basis for suppliers to actually show what they have on offer and favours large vendors who have mastered the dark art of responding to government tenders.*

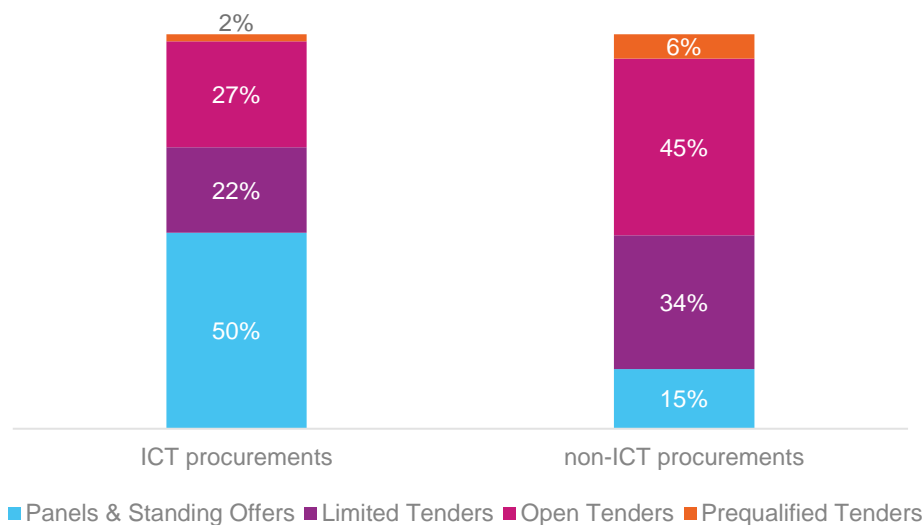
*Public submission to the taskforce* <sup>15</sup>

The preference for government to use expansive contract terms for ICT procurement (including intellectual property, unlimited liability, indemnities and legal cost of reading complex contracts) can be restrictive and costly to understand and implement. Smaller suppliers struggle to participate in government procurement due to the high administrative costs involved, and the risk of taking on unlimited liability.

Industry stakeholders noted that agencies often try to avoid complex procurement rules by defaulting to panels rather than exploring the market for newer smaller suppliers. Industry believes that this leads to the same suppliers being selected for contracts and can consequently exclude newer businesses from government procurement. Additionally, to save time and administrative costs, many panels are not refreshed regularly by agencies. In some cases, panels have not been refreshed in more than five years, and about one third of the 40 identified ICT panels have only a single vendor. This means that newer suppliers and solutions are potentially locked out of government ICT procurement.

Although the number of ICT panels has decreased significantly since July 2014 — from 156 active ICT panels reported on AusTender, compared to approximately 40 active ICT panels as at April 2017 — the percentage of ICT procurements conducted through panels and other standing arrangements remains many times higher than that of non-ICT procurements, as demonstrated *Figure 7*.

*Figure 7: Use of procurement method by amount procured by government in 2015–16* <sup>16</sup>



## The conservative and risk-averse culture of the APS makes it difficult to get innovative solutions into government

Industry stakeholders noted that the CPRs themselves are fair, accessible and useful. However, because implementation of the CPRs is determined by agencies, the actual experience of the rules can be rigid and restrictive, with limited pathways for new or different products. Industry stakeholders observed a tendency for agencies to be risk averse and conservative, making it difficult for government to adopt new and innovative solutions.

Most agencies agreed, stating that a fear of external scrutiny of decisions (such as through senate estimates and audits) leads to a low risk appetite and a culture where it is ‘not okay to fail’. This means that old and familiar ICT solutions are preferred to newer and more innovative, but perceivably riskier, solutions.



Industry and government stakeholders noted that APS personnel can have a tendency to maintain the status quo, which results in favouring the incumbent, defaulting to the same technology and solutions previously used, and repeating the same processes from previous procurements, rather than seeking out new and innovative suppliers and solutions. It can be considered easier, and less risky, to select existing providers or products — however, this does not always result in optimal outcomes.

Industry stakeholders noted difficulties in undertaking pilots and prototypes to test potential solutions. This is because not all procurement officials understand how to justify pilots while complying with the ‘value for money’ requirements of the CPRs, which they often interpret as a requirement to find the lowest cost solution. Agencies were almost unanimous in identifying the \$80,000 threshold as a barrier to more innovative ICT procurement. The \$80,000 threshold was considered to be unrealistic when a proof of concept can easily run into the hundreds of thousands of dollars.

*The traditional panel and RFT procurement processes are project centric and are managed to a budget, timeline and feature set. This is appropriate for ‘business as usual’ but is the antithesis of innovation which requires the freedom to take a calculated risk, to experiment and to fail.*

*Public submission to the taskforce <sup>17</sup>*

## There is a lack of coordination, collaboration and transparency of whole-of-government ICT procurement

There was a consensus among industry stakeholders that collaboration between government and industry over ICT procurements was poor and must be improved. Industry stakeholders pointed to agencies' strict interpretation of probity requirements as being responsible for excluding many types of engagement with industry.

Stakeholders also noted a lack of collaboration between agencies on procurement methods and approaches, which results in duplication of activity and constant 'reinvention of the wheel'. Environment scanning is done in isolation, while experiences, lessons learned and best practice are typically not shared across government. In addition, different agencies have adopted their own cloud implementation strategies in isolation from one another.

*Currently, different Government agencies have a different eligibility criterion which causes confusion and inconsistencies.... If a holistic approach could be adopted by the Government for ICT contracts, whereby a general set of rules and requirements needs to be met, this would help to streamline the procurement process across the board.*

*Public submission to the taskforce <sup>18</sup>*

Some agencies consulted noted that less-than-optimal collaboration is not limited to just the public service. Agencies expressed disappointment and frustration at feeling taken advantage of by some ICT vendors.

In addition to a lack of collaboration, submissions noted a lack of strategic coordination and oversight of ICT procurement. Neither industry nor agencies felt there was a central point of authority for whole-of-government ICT decisions and strategic oversight that sets clear objectives for both government and industry. Both industry and agency stakeholders pointed to the benefit of an overarching government ICT procurement strategy that sits within a broader strategic plan for digital transformation.

It is evident that the way in which government procures ICT is not designed to support agile delivery of digital services that meet user needs. Government's current ICT procurement processes favour waterfall processes that treat each project stage as a discrete sequential phase building upon the last. Agile methods, on the other hand,

emphasise close collaboration between developers and customers to better adapt to changing requirements and to incrementally build a product as opposed to delivering it all at once in the final phase of the project.

Until recently there has been no central function to coordinate, oversee and measure the processes and outcomes of the government's ICT procurement. While some whole-of-government arrangements do exist for coordinated ICT procurements, these are the exception, not the norm. There is also very little whole-of-government reporting of the outcomes of its ICT projects, and no forecasting of the likely future needs at a whole-of-government level. There are no regularly produced whole-of-government reports available either internally or externally on the process and outcomes of ICT procurement, nor any analysis on whether the right ICT goods and services are being bought or even what the required ICT goods and services are. The taskforce notes that the establishment of the DTA in October 2016 with a significantly expanded remit will address many of these issues.

Finally, industry stakeholders feel there is a lack of transparency and openness of government ICT procurement processes. Some businesses that had responded to approaches to market made by agencies noted that they had experienced unexplained delays, did not receive notification when they were unsuccessful, and/or were not told the basis on which procurement decisions were made.

*Industry's most common frustration is the lack of transparency and commitment to published timeframes.*

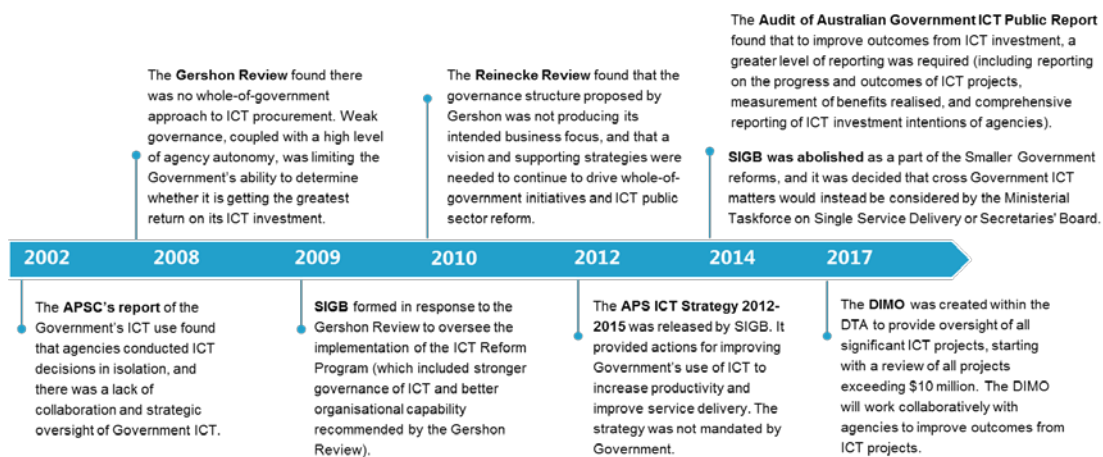
*Public submission to the Taskforce* <sup>19</sup>

## Despite past reviews into problems of government ICT, these problems remain

Although there is no regular, whole-of-government analysis of ICT processes and outcomes, over the past decade successive governments have commissioned numerous reviews into the operation of various aspects of its systems for ICT, procurement and investment in an attempt to understand and improve them.

Figure 8 outlines some of the major reviews and responses to the government's approach to ICT since 2002.

Figure 8: Past reviews and reforms of Australian Government ICT



The persistent theme across almost all of these past reviews is that the lack of coordination, collaboration and strategic oversight of ICT is a primary barrier to fully realising the potential of ICT in government. In 2008, the *Review of the Australian Government's Use of Information and Communication Technology* (the Gershon Review) concluded that the high level of agency autonomy in ICT was limiting the government's ability to determine whether it is getting the greatest return on its ICT investment, and leading to sub-optimal outcomes.<sup>20</sup>

In 2010, the *Independent Review of Implementation of the ICT Reform Program* (the Reinecke Review) found that the recommendations of the Gershon Review had largely been implemented, resulting in considerable improvements in government ICT, but that the new governance structure was not producing its intended purpose.<sup>21</sup> Similarly, the 2014 *Audit of Australian Government ICT Public Report* found that in

order to improve outcomes of ICT investment, a greater level of reporting and oversight of ICT projects was required.<sup>22</sup>

A key recommendation of the Gershon and Reinecke Reviews was “the establishment of a Ministerial Committee to provide leadership and governance for whole-of-government ICT issues, and creation of a Secretaries Board with a strong mandate from Government”.<sup>23</sup>

The current government has established the Digital Transformation Committee of Cabinet, chaired by the Prime Minister. However, while a Secretaries’ ICT Governance Board was formed in 2009, it was abolished in 2014.

These previous reviews resulted in numerous other initiatives designed to enhance or streamline ICT procurement and strengthen the coordination and governance of ICT investment. The persistence of the key problems such as burdensome processes, poor cross-government coordination and risk aversion suggests that an incremental approach to reforming the existing ICT procurement and investment processes will not be sufficient to deliver on the ambitions of the Digital Transformation Agenda — a more comprehensive set of reforms is required.

## ICT procurement is only part of the problem

While its terms of reference confined the taskforce’s investigation to ICT procurement, the taskforce recognises that this is just part of the life cycle for the delivery of ICT-based services across government. Important decisions are made by government at the investment stage — including through the Federal Budget process — and throughout the delivery stage. This means that procurement decisions cannot be seen, in most cases, in isolation.

Since 2008, successive reviews have highlighted issues with government and agency decision-making and delivery around ICT. Most notably, the 2008 Gershon Review, the 2010 Reinecke Review, the 2014 Audit of Australian Government ICT and the 2015 Belcher Review all identified similar problems with the governance, oversight and capability of ICT procurement and procurement more generally.

The key conclusion of the Gershon Review was that:

*...the current model of very high levels of agency autonomy ... leads to sub-optimal outcomes in the context of prevailing external trends, financial returns, and the aims and objectives of the current Government. The impact of this autonomy has been heightened by a previous lack of strong focus on whole-of-government ICT issues at both Ministerial and top official levels.<sup>24</sup>*

ICT procurement is a prime example of agency autonomy leading to sub-optimal outcomes. There is no whole-of-government ICT procurement framework; instead, each individual government agency continues to operate what are effectively their own ICT procurement strategies. Where whole-of-government ICT procurement coordination does exist, it is the exception, not the norm.

Although the taskforce has primarily focused on long-standing problems in the way the public service approaches ICT, some progress has been made to improve ICT procurement and to use ICT to improve the delivery of government services.

The government has recently made significant decisions to reform its approach to ICT, including ICT procurement. The government has appointed a Digital Transformation Committee of Cabinet, chaired by the Prime Minister, which is increasingly being used to provide whole-of-government coordination over service delivery and ICT matters. It has also established the Digital Transformation Agency with responsibility for ICT policy and procurement policy, oversight and delivery, bringing together all the levers available to drive better ICT and digital outcomes. The agency will also develop whole-of-government platforms that can be reused by all agencies, reducing duplication and delivering a consistent user experience.

Impressively, the Department of Finance has overseen a successful reduction in the number of ICT panels and produced considerable savings through whole-of-government ICT sourcing arrangements. Additionally, individual agencies have introduced large-scale ICT projects that have delivered better services, and some individual agencies have successfully reformed parts of their ICT procurement processes within the bounds of the current system.

However, these advances could reach much further if supported by a comprehensive, coordinated and whole-of-government approach to ICT procurement. Furthermore, the organisational capabilities and culture required to understand and adopt the right digital technologies need to be underpinned by sound leadership and a consistent approach across government.

The taskforce observes that it may be timely for the government to consider whether investment and delivery assurance processes should also be reviewed to ensure they are aligned with, and support, the delivery of its digital Transformation agenda.

Such consideration should include the legislative and policy settings under which agencies operate and how these influence the ICT choices both they and the government makes. For example, the 2015 McClure Review identified the negative effects caused by Australia's complex and unwieldy income support system, which consists of around 20 income support payments and 55 supplementary payments.<sup>25</sup> Designing, deploying and maintaining an ICT system capable to delivering these constantly changing payments comes at a significant cost premium to the government and, ultimately, to Australians.

## A new Government ICT procurement framework

The goal of the taskforce's recommendations is to build a new whole-of-government ICT procurement framework for the digital age. The framework would consist of whole-of-government ICT procurement policy principles, targets and strategies set in this section of the report.

The ideal government ICT procurement process is one that is best placed to deliver the vision of the digital Transformation agenda. Just as the digital transformation agenda seeks to simplify and standardise a user's experience with government, so too should the future state of ICT procurement simplify and standardise the way agencies operate across all aspects of procurement. The future framework of ICT procurement will also allow the government to better make decisions about ICT investment and implementation, and to evaluate ICT whole-of-government outcomes.

The framework would include whole-of-government ICT procurement policy principles to identify the overarching objectives that government expects to be delivered through its considerable ICT spend. These ICT policy principles would complement, not override, broader government procurement rules and value for money would remain at the centre of decision-making.

In developing this future model, it will be important to avoid replacing the existing decentralised system of ICT procurement with an overly prescriptive and centralised model of procurement that deprives agencies of the ability to and responsibility for managing their own resources. Any increase in internal red-tape introduced by the framework must be justified by better outcomes.

Under the new framework, agencies would be empowered to consider alternatives to procurement, such as leveraging existing services and platforms rather than continuously supporting and adding new features to existing systems.

Agencies would also strategically engage with industry, setting out its priorities both for categories of ICT goods and services it wishes to negotiate on and the large-scale future procurements it needs to deliver on the digital transformation agenda. ICT projects would not be procured as large contracts to single suppliers, but instead



be broken into modular components and sourced from multiple suppliers within the market.

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### *Recommendation 1*

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The taskforce recommends adopting a framework for ICT procurement that includes ICT procurement policy principles to guide decision-making.

ICT procurement in the Australian Government will:

- encourage competition
- be innovative — iterate often, fail fast
- be structured in a way that enables SMEs to compete fairly to directly provide components of significant ICT projects
- be outcomes focused
- use open standards and ‘cloud first’ approaches
- minimise cyber security risks
- not duplicate the building of platforms that have been built by other agencies.

All agencies will be required to report on compliance with these principles as part of their annual report performance statements.

The framework would also include annual targets for ICT procurement activity and spending. This would allow the government to measure how it is achieving its strategic ICT goals. These targets will not be able to be introduced and measured overnight. The data and processes necessary to capture, monitor and influence these metrics will need to be introduced by agencies and considered by government.

Government ICT spending would be managed within a cost envelope or cap, though this may not occur in the initial few years. The compressive effect of a cap is designed to drive focus on prioritising critical change programs and to provide an overall cost-

down target. However, it is the view of the taskforce that a reduction of ICT spending of around 10 per cent is achievable and should be targeted.

Claimed financial benefits arising from individual significant ICT projects would also be measurable and reportable. Significant ICT projects would include a standard measurement methodology for all benefits identified in their business case. This will reduce the incidence of programs claiming that benefits cannot be measured, and expose unsound benefits hypotheses.

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### *Recommendation 2*

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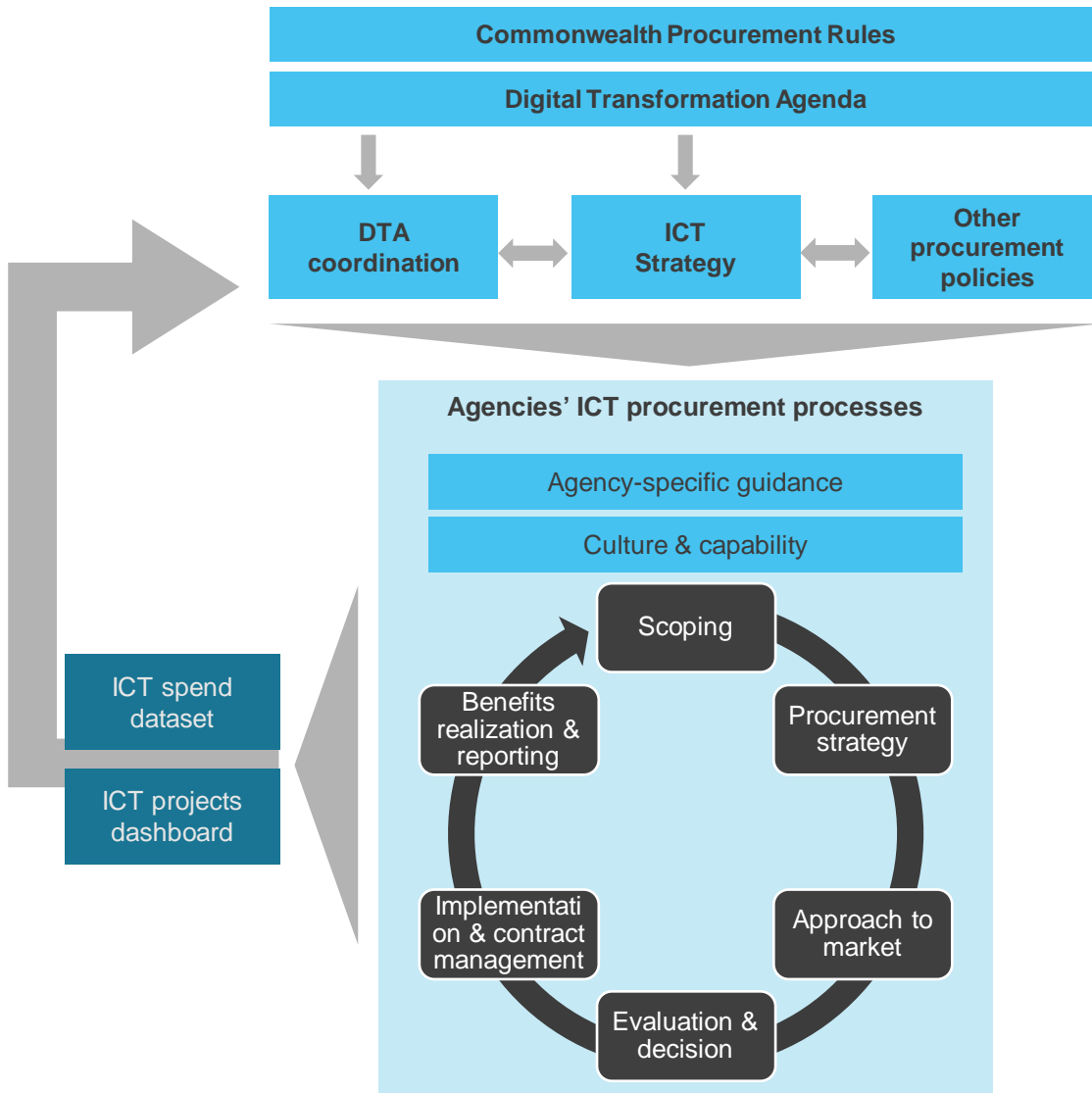
The taskforce recommends setting annual targets for ICT procurement. An initial set of annual targets could comprise:

- An annual, whole-of-government cap on internal and external ICT spending, with a target to reduce total annual ICT spending by 10 per cent over the next four years.
- Maximum contract amounts and lengths for all ICT procurement.
- Metrics on the quantum and timing of benefits realisation for all significant ICT projects.
- A measurement of the amount of ICT spending on agreed government priorities.
- A metric on the number of agencies that are using/building common platforms.
- A metric on the percentage of annual ICT spending on significant projects going to Australian businesses, including a breakdown of the amount going to Australian SMEs.

All agencies will be required to provide an annual report to government on their contributions to achievement of targets.

Figure 9 illustrates how the government’s ICT procurement processes would operate under the new framework.

Figure 9: A diagram of government ICT procurement after adoption of the framework

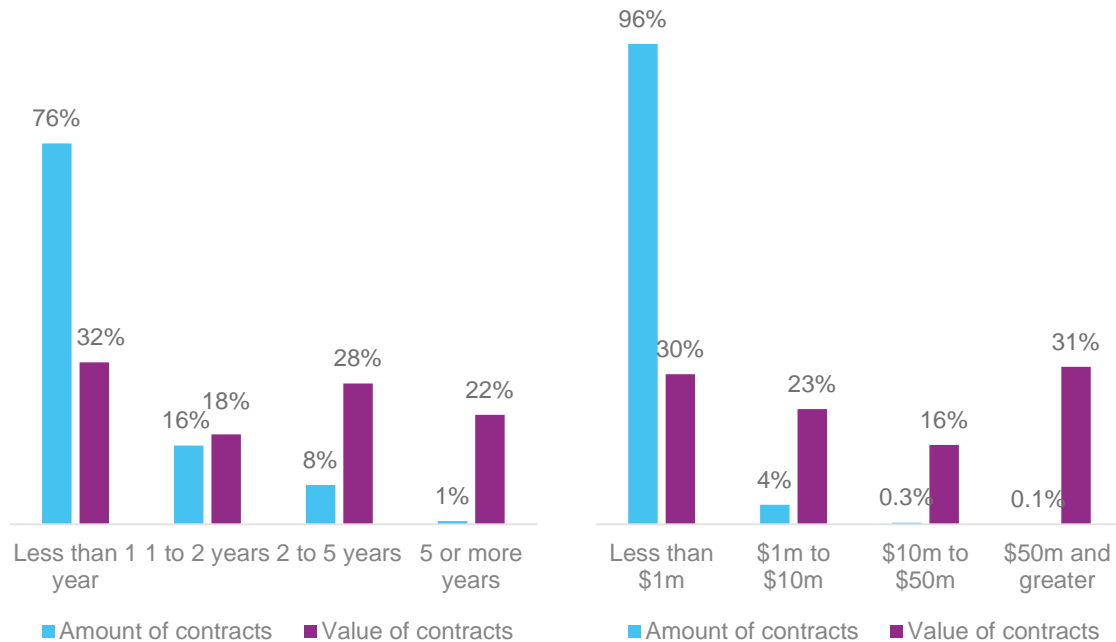


In addition to introducing overall targets on ICT spending, the government would also set targets on the maximum size and length of individual contracts for ICT procurement. Although most of the government’s ICT procurement contracts are for small amounts of money over a short period of time, the very few amount of long contracts make up a significant amount of the total value of ICT procurement as

demonstrated in Figure 10 This indicates that more closely controlling these large and long contracts can produce disproportionately large benefits for the government. Such controls were introduced in the UK as outlined in *Case study 3*

Achieving a comprehensive dataset of ICT procurement spending and outcomes will also allow the government to measure how effectively ICT procurement is being used to meet its other policy priorities, such as increasing the use of common and shared ICT platforms and building the capability of Australia’s ICT sector.

*Figure 10: Amount and value of government ICT procurements by length and value of contract, 2011–12 to 2015–16* <sup>26</sup>



It is not possible, nor desirable for all ICT procurement to be centralised within a single agency in government. ICT is not an end in itself but instead supports the business of agencies who retain ownership of, and responsibility for, that business. However, shared strategies, actively pursued by all agencies, is needed if real reform of ICT procurement is to be achieved.

The taskforce recommends the following strategies form part of the new framework:

- ICT procurement will be data driven, measureable and transparent.
- ICT procurement will be more directed and delivered by a highly capable APS.
- ICT procurement will be coordinated across government.
- ICT procurement will encourage innovation and SME participation.
- ICT procurement policies and outcomes will be reviewed regularly.

## Strategy 1: ICT procurement will be data driven, measureable and transparent

The government lacks a consistent and comprehensive dataset on ICT expenditure and outcomes. This is due, in part, to the absence of a whole-of-government framework for reporting the outcomes of ICT projects, the benefits realised from ICT investments, and the metrics of ICT service user experience. This lack of high-quality, comparative data makes it difficult for the government to make more informed ICT investment and implementation decisions, to develop more informed ICT procurement policies, and to evaluate whole-of-government ICT outcomes. It also reduces the transparency of the efficiency and effectiveness of government ICT spending to the public.

Neither of the two-existing whole-of-government sources of ICT spending, the AusTender contract notice reporting and the ICT trends report, were designed to provide government with a holistic view of ICT expenditure. Both data sources measure a completely different aspect of ICT spending which makes the two sources non-comparable — AusTender reports money committed for spending over the life of a contract, while the ICT Trends Report refers to money actually spent per year.

Additionally, both of these two data sources have significant exclusions that prevent them from being a complete picture of ICT spending. AusTender does not and cannot capture the government's internal ICT spend on salaries, as its purpose is to report

external spend, and the ICT trends report does not capture military ICT spending, which makes up around 20 per cent of ICT procurements.

As a result, the government currently lacks a consolidated future projection of how much it will spend on ICT goods and services over the forward estimates. The government's ability to make informed ICT decisions is difficult in an environment where it lacks even basic forecasts of ICT activity.

Data on procurements is also often reported inaccurately to AusTender. The largest category of inaccuracy is the categorisation of contracts, which occurs when agencies inconsistently apply category codes to their procurements and is primarily caused by a misunderstanding of category codes. Some codes are vague and inputting officers may not look at the definition. Inaccurate reporting is a persistent issue that has been identified in previous reports such as the 2015 *Independent Review of Whole-of-Government Internal Regulation* (the Belcher Review) and the 2015 *Limited Tender Procurement* ANAO review.<sup>27 28</sup>

There is also limited tracking and visibility of current ICT projects and outcomes. Government and industry do not know how many government ICT projects exist, while information about the status, budget and timing of these projects is not reported. This is in contrast to international and domestic best practice in the US, UK, Queensland and Victoria (see *Case study 1*). While the DTA currently maintains an ICT projects dashboard, it lists only a limited number of projects and is not publicly available.

Furthermore, the government measures very little performance of its ICT services. While some agencies do capture some metrics, this information is rarely made publicly available nor considered at a whole-of-government level. For example, the Digital Service Standard requires that all new and redesigned digital services since May 2016 to publicly report on four key metrics (user satisfaction, cost per transaction, digital take-up, and completion rate). However, as of May 2017, only eight government services do so and only one reports on all the required metrics.

Finally, there is a lack of transparency in agencies' future ICT spending intentions on major projects. The CPRs require agencies to publish an annual procurement plan on AusTender, and update it regularly throughout the financial year. These plans are required to include details of any significant planned procurement and the estimated date of the approach to market. Although in any given year over 100 agencies will make around 16,000 ICT procurements through AusTender, as of May 2017 there were only 85 future planned ICT procurements listed.<sup>29</sup>

## Conclusions

The taskforce has concluded that the government could address the problems outlined above by adopting a data-driven and evidence-based approach to ICT procurement. This approach would also increase public transparency and accountability for expenditure, decision-making processes and outcomes in line with emerging international best practices such as the open contracting data standard. Increased transparency of government ICT projects would strengthen the government's commitment to openness for digital innovation.

The ideal future state could include developing a standard chart of accounts to be implemented across all agencies, complementing existing categorisation currently used by AusTender. This will create a single source of truth for procurement data and will enable the procurement commitments and actual expenditure to be reconciled.

A fact base will also provide a comparative spend baseline (for benefit measurement) and can be interrogated to help develop procurement strategies. Future expenditure forecasts could be improved by enhancing AusTender so that procurement contracts are recorded by financial year. This change would highlight the percentage of spend that is already committed in a given financial year, and assist in developing ICT spending caps. Agency-level ICT roadmaps will complete the forward view of procurement and expenditure.

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### *Recommendation 3*

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The taskforce recommends establishing a comprehensive dataset of government ICT spend that will allow greater analysis at a portfolio and project level, including forward projections of ICT investment levels.

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### *Recommendation 4*

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The taskforce recommends developing a public dashboard of significant ICT projects and spending that will allow the government and public to see the status and outcomes of its ICT investment decisions.

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### *Case Study 1: Openness and transparency – Queensland and Victoria leading by example*

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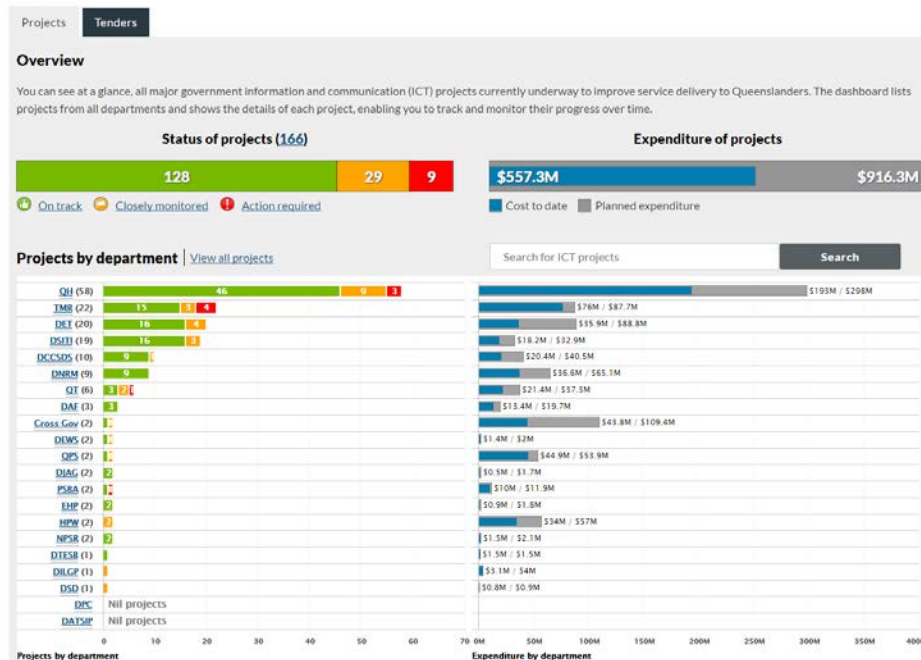
The Queensland and Victorian Governments have created public-facing ICT dashboards to promote transparency and oversight of ICT projects. These central, online portals make it is easy to identify the largest spending departments, how many ICT projects each department has, and the status, expenditure and timeframes of those projects. This makes it easier to identify projects that are off-track (i.e. over-budget or behind schedule).

The Queensland Government's ICT Dashboard<sup>30</sup> provides information on:

- **ICT projects:** project status (on-track, monitored, off-track), project expenditure (original planned expenditure, actual expenditure to-date), project timing (start date, planned end date), project objectives, breakdown of projects by department.
- **ICT procurement:** tender information for planned, open and closed tenders at various stages of the tender life cycle (e.g. evaluation, shortlisted, awarded, all offers declined, no offers received).
- **Support for ICT businesses:** resources for ICT businesses (including SME-specific advice) about how to develop and expand their business and information about selling to the Queensland Government.



## ICT Dashboard



The Victorian Government's ICT Dashboard<sup>31</sup> provides information about government ICT projects with a value exceeding \$1 million. The Dashboard has detailed information about ICT projects including projects by department and agency, project cost and timeframes, project description, project status (e.g. on-track, off-track), and project phase (e.g. pre-implementation, implementation, completed). There is also information about the project management methodology for each project (e.g. PRINCE2, Agile, PMBoK).

## Strategy 2: ICT procurement will be more directed and delivered by a highly capable APS

The government does not have a comprehensive strategy for how it conducts ICT procurement. The previous APS ICT strategy has lapsed, while existing policies are not unified and were not created to support the government's Digital Transformation Agenda. Similarly, the government does not have a strategy to address its enduring capability gaps in ICT and procurement.

Agencies are not supported by a clear, whole-of-government ICT strategy, and as such, agencies have limited guidance on how to align their ICT spending to meet the government's digital transformation agenda. There is a lack of clarity among industry about the types of solutions they should be providing agencies, and a lack of clarity among government officials about the types of solutions they should be procuring.

The absence of a unifying ICT strategy means that existing ICT policies (such as the cloud computing policy and open source software policy) operate in isolation. Industry stakeholders noted that while the intent behind these policies are sound and encourage innovation and cost reduction in ICT procurement, they are too easily circumvented by agencies. Policies without a strong mandate result in them being bypassed by agencies and new technologies not being adopted.

For example, the cloud computing policy requires agencies to use cloud services whenever they are fit for purpose, offer the best value for money, and provide adequate management of risk. Similarly, the open source software policy requires agencies to actively and fairly consider all types of software. Agencies are able to interpret these policies to justify not adopting new technologies.

Additionally, a lack of high-quality and comparative data makes it difficult to measure the success of these policies. While some data exists (e.g. the number of cloud-related contracts has increased from seven in 2011–12 to 133 in 2015–16<sup>32</sup>) it is not possible to accurately determine the proportion of cloud contract volume and value against the portion of potential or actual spend on cloud alternatives, making it difficult to accurately understand the success of the policy.

Key ICT and procurement capability gaps within the APS stop agencies from adopting best practice. There is no strategy to address this, despite previous reviews indicating that shortfalls in ICT and procurement capability has been an enduring issue.

The Australian Public Service Commission's *State of the Service Report 2012–13* report found that 47 per cent of agencies reported having skills shortages in ICT procurement, while 69 per cent of agencies reported having an overall ICT skills shortage.<sup>33</sup> A number of capability and capacity issues were also reported by industry and government stakeholders through the taskforce's consultation process, including:

- A lack of technical ICT capability and market nous required to understand the business problem, articulate the requirements and outcomes sought, and assess the potential solutions on offer, especially the holistic risk associated with different proposals;
- Decision-making authority often rests with individuals without technical expertise;
- Inconsistency in how the CPRs are interpreted and applied across and within agencies, sometimes due to a lack of understanding; and
- A lack of agile project management capability, meaning agencies lose flexibility to adapt as technology or circumstances change.
- Through its consultation process, the taskforce heard that there may be several reasons why capability gaps in ICT procurement have emerged.

Firstly, the lack of consistent accreditation requirements across government for recruiting procurement professionals limits the attraction of the best and most qualified procurement specialists. It also reinforces a perception the recruitment of experienced procurement professionals does not rate as a core business objective of the APS.

Secondly, there is a tendency across some agencies to rely on 'generalists' to fill procurement roles, so they may not have adequate skills and experience to engage in complex, high-value ICT procurement decisions.

Thirdly, technical ICT capability gaps in the Australian Public Service have resulted from an over-reliance on ICT contractors — particularly for more complex, high-value ICT work. The Australian Public Service employs more than 14,000 ICT personnel, a third of which are contractors.<sup>34</sup> The share of external ICT personnel has grown over the past five years and spend on internal ICT personnel has fallen accordingly.

This over-reliance on contractors is unsustainable going forward. It is expensive (the average annual cost of an internal ICT employee is around \$132,000 while the cost of a contractor is around \$214,000<sup>35</sup>), and causes ongoing erosion of ICT capability in agencies.

The government lacks a comprehensive strategy for addressing these capability gaps. Governments in other jurisdictions, such as the New Zealand Government (see *Case study 2*), have created specific leadership roles tasked with lifting ICT and procurement capability across government, underpinned by common standards and shared capability development efforts across agencies, as well as setting up communities of practice.

In addition to capability gaps, public service culture does not support or incentivise experimentation and ongoing improvement in ICT. There are a number of long-standing cultural challenges that must be explicitly addressed. However, the taskforce acknowledges that cultural factors are inherently difficult to untangle from other issues and often cannot be addressed directly, but instead must be overcome through leadership and capability development.

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### *Case Study 2: NZ functional leadership*<sup>36</sup>

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As part of its better public services change program, the NZ Government established a whole-of-government approach to procurement and ICT, to deter individual agencies from making decisions about these business functions in isolation. By leveraging a centre-led model of leadership, a ‘functional leader’ was appointed for each function, responsible for pursuing cross-government objectives.

#### Procurement functional leader

The Chief Executive of the Ministry of Business, Innovation and Employment was appointed as the government’s procurement functional leader, charged with supporting improved whole-of-government procurement practices and outcomes including up-skilling procurement officers, providing clear accountability for outcomes and supporting collaboration across agencies.

## ICT functional leader

The Chief Executive of the Department of Internal Affairs was appointed as the government's ICT functional leader and government Chief Information Officer, responsible for whole-of-government ICT strategic direction, investment, capability and services.

In the ICT procurement context, culture includes how government officials choose to interpret and apply procurement rules, the range of ICT solutions they consider, how they engage with industry and the risks they are prepared to take in pursuit of better services for citizens. The taskforce's consultations with agency and industry stakeholders identified a number of cultural factors that are hindering ongoing improvement in ICT:

- A culture of compliance where emphasis is on process not outcomes.
- A tendency to maintain the status quo, such as favouring the incumbent, defaulting to the same technology and solutions previously used and repeating the same processes from previous procurements.
- A fear of failure and subsequent external scrutiny, resulting in risk aversion.
- Poor collaboration and industry engagement.
- Limited incentives for agency officials to identify and adopt better solutions.

## Recommendations

The taskforce has concluded that a comprehensive ICT strategy, underpinned by robust ICT policies, should be developed. In order to successfully invest in and procure the right ICT to deliver government services, agencies need the appropriate mix of ICT procurement capabilities and technical ICT capabilities, which are supported by the right leadership.

The government currently manages ICT Apprenticeship, Cadetship and Graduate programs, with about 13 participating agencies. These programs could be expanded

in the future as they are useful for attracting new ICT recruits. However, the entrenched training, remuneration and retention issues will still need to be addressed.

In the medium term, these issues could be addressed through professionalising ICT procurement in the broader APS. Professionalisation would involve introducing targeted recruitment, career pathways and talent management initiatives to recruit and retain ICT procurement officials. This will require leadership and a long-term commitment to capability development.

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### *Recommendation 5*

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The taskforce recommends developing a comprehensive and contemporary ICT strategy to guide procurement approaches. This would seek to update and incorporate relevant existing policies, such as the government's cloud strategy and the Digital Service Standard.

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### *Recommendation 6*

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The taskforce recommends developing a medium-term strategy for building the Australian Public Service's ICT procurement capability and culture.

## **Strategy 3: ICT procurement will be coordinated across government**

There is currently no comprehensive, coordinated and whole-of-government approach to ICT.

Instead, the current system of government ICT investment, procurement and delivery is fragmented and decentralised. This is not a new issue as previous reports, such as the Gershon Review, have highlighted this as an ongoing problem.

As a result of limited oversight of government ICT projects, there have been a number of high-profile government ICT failures, all of which have contributed to public dissatisfaction.

For example, the *Review of the Events Surrounding the 2016 eCensus* found that the government has lessons to learn in managing risk and security in a digital age — specifically, major shortcomings in the procurement process (such as vendor lock-in and a lack of rigour in the value for money assessment) played a large role in the failure of the Australian Bureau of Statistics to appropriately manage risk.<sup>37</sup>

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### *Case Study 3: Government Digital Service in the UK and recent review of progress*

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The Government Digital Service (GDS) is a unit that was set up by the UK Government in 2011, in conjunction with a whole-of-government ICT strategy, to oversee the transformation of government digital services.<sup>38</sup> The GDS provides best practice advice to departments (including on the best IT solutions), helps foster cross-department collaboration (including identifying common services and shared tools), sets and enforces standards for digital services, and assists with attracting and developing skilled ICT professionals and leaders. The GDS also maintains cross-government platforms, such as GOV.UK and the Digital Marketplace.

Following the decision to abandon the National Health Service patient record system at a cost of £10bn, the UK Government introduced ‘red lines’ to the GDS’ spend controls of ICT procurement in 2014. The ‘red lines’ are rules that apply to all government IT procurement to better deliver an increase in competition and value for money. They include:

- no IT contract over £100 million
- if a company has a contract for service provision, it should not also do service integration for that service
- no automatic contract extensions
- new hosting contracts will not last for more than two years.

The recent UK National Audit Office report found that the GDS has played a key role in government digital transformation over the past five years.<sup>39</sup> It has established spending controls that have delivered savings worth £1.3 billion since 2011, has

introduced G-Cloud and the digital services framework to improve contracting with SMEs, and has successfully reshaped government's approach to technology, such as agile development.

However, there is still progress to be made. The report highlighted several challenges faced by the GDS, for example:

- the GDS has had mixed success with major transformation programs, with many programs not resulting in improved efficiency despite better online services
- the success of Verify, a GDS initiative to simplify the way new services are developed, has been poor (take-up has been slow as people have found it difficult to use and departments have found it difficult to adopt).
- some GDS guidance lacks clarity and detail, some guidance is duplicated some guidance has been removed or web links are broken, which has led to confusion and uncertainty in departments.

The GDS's renewed approach, set out in the 2017 Government Transformation Strategy, will help to resolve some of these challenges. However, in addition to these specific challenges, the NAO report identified some broader issues, including concerns that the GDS' remit is too broad, accountabilities are unclear, and the challenge of balancing formal, central assurance and whole-of-government priorities, with a more consultative approach and consideration of departmental priorities.

The decentralised nature of government ICT procurement is a consequence of the devolved nature of the *Commonwealth Resource Management Framework*, which governs how the public sector uses and manages public resources. The PGPA Act, which is a cornerstone of the framework, contributes to the fragmentation of ICT investment through its devolution of public governance and accountability requirements to the agency level.

The formal mechanisms for central coordination of government ICT investment and procurement were removed through the abolition of the Secretaries' ICT governance board in 2014 and the cessation of the APS ICT strategy in 2015. While some progress has been made to address the absence of strategic oversight, many of the issues previously identified are still problematic today. The establishment of the



Digital Investment Management Office within the DTA in November 2016 is the first step in improving whole-of-government oversight and analysis of ICT investment.

This devolved framework has allowed high levels of agency autonomy and resulted in a lack of central oversight. Each individual government agency operates their own ICT procurement processes without strategic direction, and with limited reporting of past spend or future investment intentions. While rules and policies that guide procurement exist, most prominently the CPRs, these are usually high-level requirements that provide agencies a lot of flexibility in their implementation. Additionally, while there are mechanisms to coordinate some aspects of ICT procurement across agencies, such as the mandatory ICT panels, these processes only capture a minority of agency activity.

Decentralisation has also resulted in little incentive for cross-agency collaboration on common, reusable ICT platforms, and the government is increasingly receiving requests from agencies for large replacements of old ICT infrastructure. Some progress is being made in this space, such as the DTA's forthcoming whole-of-government digital platform strategy, which aims to develop and operate a set of reusable digital platforms that make it easy, cheap and fast to transform and deliver digital services to users.

Other jurisdictions have recognised the importance of clear governance and strong incentives to support transformation. The UK has approached digital transformation through strong levers, such as creating the Government Digital Service to implement central government efficiency through spend controls, setting standards and providing assurance (*see Case study 3*).

Another area where government's devolved approach to ICT procurement results in suboptimal outcomes is the management of large and strategic vendors. Attention to the full lifecycle is a feature of the approach to spending known as "category management". Government does not manage the post-purchase environment in a consistent manner. Category management capabilities are not evident within government, and are at best isolated to pockets of best practice within the more advanced agencies. Coordinated procurement exists for some ICT spend categories

and the Department of Finance has traditionally acted as a spend aggregator for suppliers to which government has a large exposure. However, multi-year, whole-of-government category management plans have not been evident to the taskforce and no current function is positioned to undertake this work.

Within government, suppliers are managed at a contract level, without the quarterly coordinated performance reviews that are the norm in more sophisticated environments. This means that while there are many large suppliers to government, there are effectively no strategic relationships. Relationships between buyers and sellers within government are generally conducted at the risk or contract management levels and a significant capability uplift would be required to move past this point. The immediate action would be to roll up existing contract-level reporting and to establish regular dialogue at a whole-of-government level. No current function is positioned to take this step.

## Recommendations

The taskforce notes that previously recommended steps to improve and drive coordination across government have not been fully effective. Therefore, the taskforce considers that much stronger controls need to be applied to ICT procurement, at least in the medium term, to achieve the government's objectives.

Devolution of resource responsibility to secretaries and agency heads remains appropriate as they are ultimately the business owners of the areas of their responsibility. However, this does not mean that the procurement of ICT to support their business cannot be better coordinated across government.

The government has already taken action to consolidate responsibility for ICT policy, ICT procurement policy and digital delivery policy through the establishment of the Digital Transformation Agency and the transfer of functions relating to ICT and ICT procurement from the Department of Finance to the Digital Transformation Agency, which were finalised in May 2017. The agency is now well placed to use its new combination of responsibilities to develop a function that can provide a coordination process for significant ICT procurements, and to finish work on existing processes such as the delivery of a digital platforms strategy.

As part of this coordination process, the Digital Transformation Agency will need to convene and collaborate with other government agencies to develop shared approaches to ICT categories of expenditure and the ICT cost base. This coordination process will also include highlighting and disseminating leading practice ICT procurement tools, guidance, strategies and approaches across agencies.

Likewise, there is only a very limited amount of coordinated, whole-of-government engagement with industry with regards to ICT procurement. There is currently only a single whole-of-government agreement between the government and an industry vendor, and although more are currently under negotiation, there is no framework or process through which either the government or agencies strategically identify those industry vendors they should be reaching partnerships and agreements with. More generally, the taskforce observed that agencies have underdeveloped partnership and relationship management with their vendors.

Included in this coordination would be a category management plan. This plan would contain an environmental scan of established and emerging players in the supply market, and may include vendor base development (coaching) activities to encourage greater market participation. The plan should include a supplier segmentation whose outcomes are used to set governance and relationship parameters for the existing supply base. Category-based supplier segmentations should pyramid to an enterprise view that considers the overall significance and quality of a supplier relationship.

The taskforce has noted that there is a history of agencies independently developing and deploying innovative digital technologies, resulting in multiple, incompatible systems, with higher costs to government and poorer outcomes for citizens.

An example of this is the multiple identity schemes implemented for the early e-government programs, forcing citizens to manage multiple digital identities. There are some digital technologies that should be developed and deployed by a coherent, central program, while others are best managed in a decentralised model.

The private sector has successfully established and run strategic business partnerships with its suppliers. These partnerships have led to better outcomes, more innovation and cost savings. The government should apply partnership approaches

to its major suppliers. The government should engage the leading vendors by volume to maximise the benefits across government. A centralised approach could lead to better capacity management, co-investment, shared risks and should accelerate the deployment of key technologies.

The selection of strategic business partners requires a whole of government perspective. To provide certainty to industry and the agencies, a general model for strategic business partnerships, that addresses strategic objectives, key criteria, funding and other resources, is required.

Establishment of these relationships with major vendors should not limit the focus of the government in building opportunities for SME participation. Government needs to focus on balanced major vendor and SME participation driven by value and benefits realisation.

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### *Recommendation 7*

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The taskforce recommends that a coordination process be mandated for significant ICT procurements and significant ICT vendor relationships to:

- provide a clear definition of 'significant' procurement and relationships
- apply a strategic business partnerships model
- develop an annual ICT procurement 'pipeline'
- identify an oversight body that will develop a platform for the secure sharing of information and data across government and advise government on APS procurement performance
- include incentives for the building, funding and use of whole-of-government platforms
- develop shared procurement approaches to market where efficient.

## Strategy 4: ICT procurement will encourage innovation and SME participation

The taskforce's consultations with industry revealed a widespread discontent with the government's ICT procurement practices:

- inconsistent and complex processes
- poor industry engagement and panel arrangements
- a lack of a pathway for the ICT industry to pitch innovative solutions
- complex security requirements.

### Inconsistent and complex procurement processes

The Australian Public Service's procurement framework gives agencies the flexibility to interpret rules and tailor internal procurement processes to meet their individual needs. This leads to actual and perceived inconsistencies in practices across agencies, including in panel arrangements, tender processes and contracting approaches. This is confusing and costly for suppliers that deal with multiple agencies, particularly for SMEs.

Factors such as culture and capability were also found to drive inconsistency in practices. Industry stakeholders noted that while the CPRs are a fair, accessible and useful framework, implementation of these rules can be rigid, restrictive and unnecessarily complex. This imposes a high administrative burden on industry, which can particularly affect SMEs and hinder the adoption of innovative solutions.

Examples provided include the following:

- Interpreting and applying procurement rules in ways that do not reflect their overall policy intent.
- Using tender processes that are often disproportionate to the nature of the procurement being undertaken. For example, running 12–18 month processes for small-moderately sized ICT procurements.

- Defaulting to using existing panels, rather than tailoring procurement methods to each specific business requirement.
- Misunderstanding templates and tools designed to streamline current practices. For example, requiring suppliers to accept the full 119 pages of the SourceIT model contracting suite for small ICT procurements and modifying model clauses to make them more restrictive.
- Attempting to mitigate all project risk through overzealous contract terms. For example, requesting unlimited liability from suppliers despite the stated government policy position of limiting liability for ICT suppliers and pursuing unrealistic intellectual property ownership requirements.
- Evaluation criteria that is overly complicated and sometimes meaningless. For example, requiring suppliers to tick the boxes for having 'management systems' or 'quality controls' without providing any indication of what is actually required.

## Agencies do not engage well with suppliers

Many stakeholders in both industry and government said that it was often the case that agencies had insufficient engagement prior to making an approach to market. This results in suppliers having a limited understanding of the agency's requirements, which limits their ability to pitch fit-for-purpose and innovative solutions. Examples provided include the following:

- Minimal or no communication on delays in tender processes.
- Often limiting communication with suppliers to written-only in order to maintain an audit trail to satisfy probity requirements.
- Failing to provide accurate and useful feedback as to why a supplier was unsuccessful.
- Not notifying suppliers until late in the process they had been unsuccessful, especially when a decision had already been made early but not announced.
- Running small procurements over long timeframes, while also requiring vendors to refrain from bidding for other work within the agency.

- Running ‘proof of concept’ processes with SMEs and then taking the idea out to open tender without any consideration for the time and costs incurred by the SME.
- Failing to publicise agency-level procurement rules, processes and related information.

Some of these issues are exacerbated by a strict interpretation of probity requirements which prohibit meaningful engagement with prospective suppliers.

Poor engagement practices can also exclude many SMEs and start-ups, especially those not based in Canberra. Many smaller industry stakeholders noted the lack of a formal ‘front door’ to government through which they could showcase their capability. On the other hand, larger and established businesses have existing relationships with agency officials that allow them to engage more frequently about the agency’s ICT needs.

### Panel arrangements can be overly complicated and can exclude new suppliers

Agencies establish panels to streamline their ICT procurement, and avoid having to continually approach the market via a full open, prequalified or limited tender process for frequently purchased ICT goods and services. If used correctly, panels enable an agency to procure services in a timely and cost-effective manner.

There was mixed feedback from stakeholders about their experience with panels. Some suppliers felt that panel arrangements made it easier to get ICT work from the government after overcoming the initial cost of joining a panel. Others however, particularly SMEs and start-ups, report that the cost and complexity of getting onto ICT panels was not recouped in terms of work from government. Industry stakeholders noted that because agencies strongly preference using panels, businesses feel compelled to join them despite the uncertain returns.

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## Case Study 4: Improving opportunities for SMEs in NSW

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The NSW Government Procurement: Small and Medium Enterprises Policy Framework<sup>40</sup> sets out mechanisms to reduce barriers to entry for SMEs, including the following:

### Simpler procurement

- Simpler contracts: simpler procurement documents for low-value, low-risk contracts, e.g. shorter, plain English documents.
- Fairer contracts: contract terms and conditions that are more commercially realistic for SMEs. For example, more reasonable insurance requirements.
- Simpler procurement processes: streamlined procurement processes by leveraging online solutions. For example, offering eTendering, eCommerce.
- Use of prequalification schemes instead of fixed-term panels. For example, SMEs can self-register for low-value, low-risk work.

### Increased opportunities

- Government exceptions for procuring directly from SMEs. For example, for small purchases, agencies can be exempt from using mandated whole-of-government contracts.
- Increased opportunities: agencies must prepare an *SME Opportunities Statement* during the procurement planning phase, which identifies the opportunities of the procurement for SMEs. For contracts \$10 million and over, agencies must prepare a *SME Participation Plan* to show how the procurement will support the local economy.

### Better engagement

- Better communication: ensuring industry is given enough advance notice for major upcoming procurements. For example, for complex procurements, ensuring prospective suppliers receive adequate industry briefings and ensuring unsuccessful bidders receive adequate feedback.
- Better support and transparency: presentations to SMEs on procurement opportunities and procurement processes for example, providing a SME helpdesk



and SME-specific advice on the government's online procurement portal (ProcurePoint).

#### Encourage innovation

- Focus on outcomes: tender documents should articulate outcomes, rather than technical requirements, to allow for innovative responses.

Many industry stakeholders also complained that although they had participated in a lengthy approach-to-market process to join a panel, they would often be required to go through another lengthy process to respond to work orders made by agencies through the panel.

Some suppliers and agency officials also felt that there are too many panels that are not refreshed often enough, preventing newer and more innovative suppliers (including SMEs and start-ups) joining panel arrangements. These views persist despite a threefold reduction in panels since 2014.

### Lack of a clear innovation pathway

The CPRs requires consideration of innovation as part of the value for money assessment of procurements. However, beyond this reference to innovation, there is no standard pathway for the ICT industry to pitch innovative solutions to agencies. While some agencies do have innovation programs and ideation platforms to engage with vendors, there is no “best practice” process and guidelines available to all agencies.

Agency culture and practices around processes such as unsolicited proposals, iterative procurements, and open collaboration are also undeveloped and inhibit the adoption of new or innovative ICT technologies.

- The CPRs permit unsolicited proposals in certain situations but the process of accepting these are not explained in detail. This results in procurement officials being hesitant to accept unsolicited proposals or, as some agency procurement

officials told the taskforce, believing that the CPRs prevent accepting unsolicited proposals of any sort.

- Industry stakeholders noted problems with procurement officials misinterpreting the value for money requirements in the CPRs as purely being the lowest cost solution. This results in range of issues such as difficulties in undertaking proof-of-concepts, prototypes and pilots to test potential innovative solutions.
- Many agencies prefer to specify a particular technology instead of articulating their business needs and leaving the market to provide a variety of innovative solutions. These prescriptive approaches-to-market stifle creativity, and limit suppliers' ability to demonstrate innovative solutions.

## Security requirements limiting uptake of new technologies

The Australian Public Service's current ICT security standards can be a barrier to the adoption of new technologies. Businesses have encountered significant delays in the approval of protected cloud services, for example, the Information Security Registered Assessors Program accreditation and Australian Signals Directorate certification are time consuming and costly. One large provider estimated it took 12 months and many hundreds of thousands of dollars to become accredited for an 'unclassified' system.

Further to this, the way that broader security requirements are implemented favours incumbent providers and limits the ability of new suppliers and SMEs to provide new technologies to government. For example, processing of personnel security clearances by the Australian Government Security Vetting Agency takes too long and is expensive as agencies must sponsor personnel to receive a clearance. This problem is compounded by agencies occasionally over classifying information, which requires businesses to maintain potentially unnecessary security clearances.

In 2015, the Attorney-General's Department agreed to review security requirements in response to the recommendations of the Belcher Review, which proposed a series of reforms such as improving clarity, reducing unnecessary 'red tape' and fostering a strengthened security culture across government. While the taskforce acknowledges that the security requirements of the Protective Security Policy Framework and the Information Security Manual do impact agency procurement processes, a separate

process is in train to review the need to simplify and standardise these requirements that is due for completion by the end of 2017.

## Recommendations

A range of simple changes to standardise and simplify ICT procurement practices for agencies should be delivered quickly, with the aim of making it easier for businesses of all sizes and government agencies to do business together. Other jurisdictions have implemented such changes. For example, the NSW Government is committed to ensuring its procurement practices maximise opportunities for SMEs (see *Case study 4*).

There is already ongoing work to simplify government ICT procurement. For example, the Digital Marketplace aims to make it much easier for businesses to connect, transact and collaborate with government buyers. The Department of Finance has introduced the Dynamic Sourcing for Panels update to AusTender, which aims to make it easier for agency buyers to search for skills and services across all panels currently operated by government and streamline the request-for-quote process. Further changes to streamline procurement would build on these existing efforts.

### Elements of simplification

- Ensuring consistent contracting through the creation of a suite of plain English, modular and scalable contracts whose use is mandated. This should include a “Minimum Viable Contract” co-created with SMEs for use with procurements below \$200,000.
- Developing best practice approach-to-market documentation and evaluation methodologies.
- Continuing existing efforts to increase the CPR-mandated open approach to market threshold to \$200,000, in order to permit agencies greater flexibility in procuring low-value goods and services.
- Reviewing ICT panel use, to simplify ICT panels for both buyers and sellers, including regular refreshing of panels and standardising template documentation.

- Expanding offerings and functionality of the Digital Marketplace, and working with large agencies to assess how their existing procurement processes can make greater use of the Marketplace.

The taskforce also considers that there would be benefit in introducing a new procurement pathway that better supports commodity purchases. This pathway would replace some existing ICT panels with a catalogue-based e-procurement approach that provides easy comparisons between offers, click-to-buy, and dynamic pricing. There would also be significant value in a new procurement pathway that encourages innovation and small-scale experimentation.

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### *Recommendation 8*

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The taskforce recommends that immediate simplification of a range of ICT procurement practices for agencies, including reforms to ICT procurement panel arrangements.

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### *Recommendation 9*

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The taskforce recommends developing new ICT procurement pathways for:

- catalogue-based e-procurements
- innovative and small-scale experimentation procurements

## Strategy 5: ICT procurement policies and outcomes will be reviewed regularly

A key finding of the taskforce has been that despite a series of reviews into the performance of government's ICT practices and policies, the outcomes of government ICT activity continues to fail to meet the demands of the government and the expectations of the public and ICT businesses.

In implementing a new framework, the government must be aware of the history of previous reviews that recommended reforms to ICT and procurement, and why those reforms failed to deliver desired and lasting improvements. For the introduction of the new government ICT procurement framework to avoid the same fate, it will be necessary for the government to commit to a regular process of reviewing the implementation of the new framework.

Just as the principles of the framework call for the use of flexible and iterative methods in the investment and procurement of ICT goods and services, so too should the government take a flexible and iterative approach to the design and delivery of the framework itself — and ensure that the framework is delivering quantifiable benefits.

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### *Recommendation 10*

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The taskforce recommends ICT procurement framework and ICT policies are subject to regular review and renewal so that they continue to reflect contemporary best practice in a rapidly-changing technology environment.

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## Glossary of abbreviations and terms

<b>Term</b>	<b>Definition</b>
<b>AAIs</b>	Accountable Authority Instructions
<b>ABS</b>	Australian Bureau of Statistics
<b>APS</b>	Australian Public Service
<b>ASD</b>	Australian Signals Directorate
<b>AGSVA</b>	Australian Government Security Vetting Agency
<b>APSC</b>	Australian Public Service Commission
<b>ATO</b>	Australian Taxation Office
<b>CCEs</b>	Corporate Commonwealth Entities
<b>CPRs</b>	Commonwealth Procurement Rules
<b>DIMO</b>	Digital Investment Management Office
<b>DTA</b>	Digital Transformation Agency
<b>ICT</b>	Information and communication technology
<b>IRAP</b>	Information Security Registered Assessors Program
<b>ISM</b>	Information Security Manual
<b>NCEs</b>	Non-corporate Commonwealth Entities
<b>NPP</b>	New Policy Proposal
<b>PGPA Act</b>	Public Governance, Performance and Accountability Act 2013
<b>PM&amp;C</b>	Department of the Prime Minister and Cabinet
<b>PSPF</b>	Protective Security Policy Framework
<b>SIGB</b>	Secretaries ICT Governance Board
<b>SME</b>	Small-to-medium enterprise
<b>NZ</b>	New Zealand
<b>UK</b>	United Kingdom
<b>VSA</b>	Volume Sourcing Agreement
<b>agencies</b>	Australian Government departments, agencies and other bodies
<b>the framework</b>	the ICT Procurement Framework for the Digital Age
<b>the government</b>	the Government of the Commonwealth of Australia
<b>the taskforce</b>	the ICT Procurement Taskforce
<b>the report</b>	the Report of the ICT Procurement Taskforce

## Table of Figures

<i>Figure 1: Value of government ICT procurement, 2010–11 to 2015–16</i> .....	16
<i>Figure 2: Size of government ICT procurements in 2015–16 by amount and value</i> .....	16
<i>Figure 3: Agency spending on ICT procurement in 2015–16</i> .....	17
<i>Figure 4: Category and subcategory of government ICT procurements by portion in 2015–16</i> .....	18
<i>Figure 5: Government ICT procurements in 2015-16 by vendor by value</i> .....	18
<i>Figure 6: Representation of the current state of government ICT procurement processes</i> .....	20
<i>Figure 7: Use of procurement method by amount procured by government in 2015–16</i> .....	26
<i>Figure 8: Past reviews and reforms of Australian Government ICT</i> .....	30
<i>Figure 9: A diagram of government ICT procurement after adoption of the framework</i> .....	37
<i>Figure 10: Amount and value of government ICT procurements by length and value of contract, 2011–12 to 2015–16</i> .....	38

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<sup>2</sup> ICT Procurement Taskforce 2016, *ICT Procurement Taskforce Consultation Paper*, Department of the Prime Minister and Cabinet, <<https://ict-procurement.pmc.gov.au/Content/documents/ICT-Procurement-Taskforce-Consultation-Paper.pdf>>

<sup>3</sup> Department of Finance 2017, *Flipchart of Commonwealth entities and companies*, <[http://www.finance.gov.au/sites/default/files/Flipchart\\_May\\_2017.pdf](http://www.finance.gov.au/sites/default/files/Flipchart_May_2017.pdf)>

<sup>4</sup> Department of Finance 2016, *Australian Government ICT Trends Report 2015–16*, <<https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>>

<sup>5</sup> Ibid

<sup>6</sup> Taskforce analysis of Intermedium Analyse IT dataset of AusTender 2017, Intermedium

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<sup>12</sup> Department of Finance 2016, *Statistics on Australian Government Procurement Contracts*, <<https://www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts>>

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<sup>14</sup> Department of Finance 2017, analysis provided to the Taskforce by Department of Finance

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<sup>20</sup> Sir Peter Gershon CBE FREng 2008, Review of the Australian Government's Use of Information and Communication Technology, Department of Finance and Deregulation

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<sup>25</sup> Department of Social Services 2015, A New System for Better Employment and Social Outcomes - Interim Report of the Reference Group on Welfare Reform to the Minister for Social Services

<sup>26</sup> Taskforce analysis of Intermedium Analyse IT dataset of AusTender 2017, Intermedium

<sup>27</sup> Barbara Belcher 2015, *Independent Review of Whole-of-Government Internal Regulation Report to Secretaries Committee on Transformation Volume 1*, Department of Finance, <<https://www.finance.gov.au/sites/default/files/independent-review-of-whole-of-government-internal-regulation-volume-1.pdf>>

<sup>28</sup> Australian National Audit Office 2015, *Limited Tender Procurement*, ANAO Report No.48 2014-15

<sup>29</sup> Taskforce analysis of AusTender Annual Procurement Plan List

<sup>30</sup> Queensland Government ICT Dashboard available at <https://www.qld.gov.au/ictdashboard/>

<sup>31</sup> Victorian Government ICT Dashboard available at <http://www.enterprisesolutions.vic.gov.au/ict-dashboard/>

<sup>32</sup> Department of Finance 2016, *Australian Government ICT Trends Report 2015–16*, <<https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>>, pg. 22

<sup>33</sup> Australian Public Service Commission 2013, *State of the Service Report 2012–13*

<sup>34</sup> Department of Finance 2016, *Australian Government ICT Trends Report 2015–16*, <<https://www.finance.gov.au/sites/default/files/ict-trends-report-2015-16.pdf>>

<sup>35</sup> Ibid

<sup>36</sup> New Zealand Government 2017, *Strengthening Functional Leadership—increasing value and reducing the costs of government business functions*, <<http://www.ssc.govt.nz/bps-functional-leadership>>

<sup>37</sup> Alastair MacGibbon 2016, *Review of the Events Surrounding the 2016 eCensus*, Department of the Prime Minister and Cabinet, <[http://apo.org.au/files/Resource/macgibbon\\_review\\_of\\_the\\_2016\\_ecensus\\_final\\_report.pdf](http://apo.org.au/files/Resource/macgibbon_review_of_the_2016_ecensus_final_report.pdf)>

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<sup>39</sup> United Kingdom National Audit Office 2017, *Digital Transformation in government*,  
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