Delivering shared corporate services in Queensland

Report 3: 2018–19

Queensland Audit Office

Better public services

Queensland Audit Office
Better public services

Your ref:
Our ref:

27 September 2018

The Honourable C Pitt MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Speaker

Report to parliament

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled *Delivering shared corporate services in Queensland* (Report 3: 2018–19).

In accordance with s.67 of the Act, would you please arrange for the report to be tabled in the Legislative Assembly.

Yours sincerely

Brendan Worrall
Auditor-General

Content

Audit objective and scope

The objective of the audit was to assess whether the Queensland Government's shared service providers are delivering value for money now and positioned to successfully deliver into the future.

We reviewed whether a sample of shared corporate service providers was:

- guided by a clear whole-of-government shared corporate services strategy and governance structure
- delivering the right type and range of corporate services
- efficiently and effectively meeting customer and whole-of-government needs
- focused on continuous improvement and the future needs of customers.

We audited Queensland Shared Services, the Corporate Administration Agency, and the Business and Corporate Partnership. In this report, we refer to these, along with other entities, collectively as shared service providers. We also engaged with their customers.

Appendix B provides more information about the audit objectives and methods.

Reference to comments

In accordance with s.64 of the *Auditor-General Act 2009*, we provided a copy of this report to relevant agencies. In reaching our conclusions, we considered their views and represented them to the extent we deemed relevant and warranted. Any formal responses from the agencies are at Appendix A.

Key facts

Organisations use shared services to achieve economies of scale through the efficient use of processes, technology, and skills.

Shared service models have been operating in Queensland since the late 1990s. There are at least seven formal shared service providers for corporate services in operation today.

Shared services in Queensland

Around 2 970 staff are employed in the delivery of shared corporate services (excluding the Departments of Health and Education).

Queensland's Public Service Commission acknowledges a growing number of tasks are being automated, which significantly impacts roles and occupations across government.

Source: Queensland Audit Office.

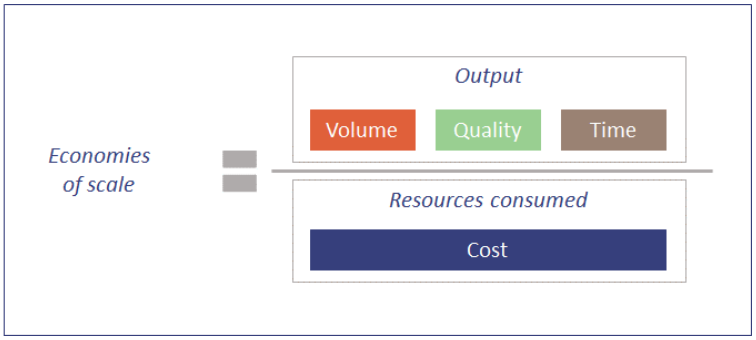
Introduction

Shared services

Shared service providers typically deliver processes that can be centralised, standardised, and automated. They aim to achieve efficiencies by simplifying processes or building expertise that means services can be delivered with less resources than its customers could do individually. Examples of services that are often shared are finance, procurement, human resources, and technology processes.

Shared services generate economies of scale by delivering more and/or better outputs from less (or the same amount of) resources. Figure A represents economies of scale as an equation.

Figure A
The economies of scale equation



Source: Queensland Audit Office.

Once a shared service function has sufficiently standardised its processes and systems, it can deliver further efficiencies through continuous improvement and innovation. Shared service providers who have developed their expertise often broaden the range and type of services they offer to include more complex services (such as legal or workforce planning) once they have achieved savings providing more routine services.

Shared services industry insights

In a 2017 Global Shared Services Survey run by Deloitte, respondents (from both public and private sectors) reported average annual savings of eight per cent. They also noted that providers were expanding into more complex, knowledge-based processes. They agreed that rapidly emerging technology will fundamentally change how shared services operate and will reduce the manual effort needed for routine tasks.

Public sector shared services insights

The Australian Institute of Management advised in 2012 that 'how people work and their preparedness to collaborate' are crucial to successful shared services initiatives in the public sector.

It identified the following factors to help explain why large-scale shared services in the public sector often find it difficult to achieve the expected efficiencies:

- There must be visible and durable political sponsorship.
- Agencies involved must be committed to the success of the shared services model.
- Benefits of ongoing investment in the model must be defined, measured, and delivered.

Queensland's shared service providers

Figure B lists examples of shared service arrangements delivering a range of corporate services. They fit the broad definition of 'shared corporate services', in that one agency delivers services to one or more customer agencies or statutory bodies.

Figure B
Examples of shared corporate service providers

Shared service provider	Lead agency/ governing body	Number of entities serviced	Annual budget $'000	Full-time equivalent employees (FTE)
Queensland Shared Services (QSS)	Department of Housing and Public Works (DHPW)	25 agencies	140 130	1 090
CITEC	DHPW	Agencies, statutory bodies, commercial	146 951	361
Public Safety Business Agency (PSBA)	PSBA Board	4 agencies	473 746	1 146
Queensland Parliamentary Service	Queensland Legislative Assembly	4 statutory bodies	2 004	23
Corporate Administration Agency (CAA)	Department of Environment and Science	28 statutory bodies	10 975	76
Business and Corporate Partnership (BCP)	BCP Board	4 agencies	55 177	278
Department of Health (DoH)	Queensland Health	DoH and 16 hospital and health services	Not readily available	Not readily available

Note: Information about the annual budget and FTE of DoH's shared services provision is included as part of its overall departmental budget and not separately reported.

Source: Queensland Audit Office, from latest annual reports or service delivery statements for 2018–19 budgets.

There are other cross-government service providers within the Queensland Government that operate as commercialised business units, for example QFleet and Building and Asset Services. The Department of Education delivers corporate services through a centralised operating model to its schools, but not through a contracted arrangement. As a result of the 2017 machinery of government changes, some departments deliver corporate services on behalf of others, for example the Department of Child Safety, Youth and Women provides a grants management system to the Department of Communities, Disability Services and Seniors and the Department of Housing and Public Works.

In the context of rapid technological advancement and ongoing pressure on public sector financial resources, it is important to know whether Queensland's shared services models are positioned to take advantage of the best of what is currently available.

We examined three very different current operating models and considered how providers and customers focus on:

- efficiency, productivity, and economies of scale (which are the traditional reasons for shared services models)
- innovation and customer service delivery (which are what will make a difference in terms of delivering the best service in the future).

Summary of audit findings

Are shared services designed and governed strategically?

Shared service operating model

The design of the shared corporate services operating model in Queensland was reset in 2010 with a focus on transactional services like payroll and finance. A governance arrangement was established by the Department of the Premier and Cabinet to manage the implementation of the redesigned model across government. This was disbanded once the redesigned shared service providers became operational. Since then, additional providers have been established to help clusters of agencies better focus on frontline services by sharing delivery of more complex corporate services. These additional shared arrangements also emerged to help agencies transition through machinery of government changes and avoid dividing existing functions into teams too small to maintain continuity of service or satisfactory employee outcomes.

For a number of reasons, the current arrangements are not as efficient as they could be. In some cases, providers are expanding the type and range of services they offer without an evidence-based case that the service is best delivered through a shared arrangement. In others, customers are taking back services, automating services and providing them in-house, potentially increasing duplication across government. After the 2017 machinery of government changes, new agencies did not have a shared service strategy or framework to reference when making decisions about where their corporate services needs could be most efficiently met.

The operating model across government is now quite complicated. Some services are delivered by more than one provider, and some customers are serviced by numerous providers. This has evolved because, when it comes to public sector shared services, one size does not necessarily fit all. Providers and customers are not clear on what defines efficient shared service delivery. This has become even more blurry as technology has rapidly automated processes and raised customer expectations of return for that investment.

Governance framework

Entry and exit into a provider arrangement are typically based on service level agreement negotiations between a provider and its customer. The implications for other customers and for the Queensland Government as a whole are not being considered in these bilateral negotiations or monitored over time. Some providers operate without service level agreements at all.

Decisions relating to technology and the workforce are also being made on an individual (siloed) basis, by customers and/or providers. The consequence of automating manual processes is that the roles people perform will change. The Public Service Commission has established directives that help individual agencies to manage workforce change. There is a governance forum on cross-agency technology strategies in place, but it needs to be extended to align to decisions about the whole-of-government shared services operating model and its implications for the workforce.

The lack of a central strategy or value-for-money framework for shared corporate services that aligns to technology and workforce strategies means decisions are made that may not consider all relevant facts—or not made at all. Monitoring and reporting of progress against stated objectives for shared services is fragmented and incomplete. A whole-of-government governance framework is needed to sustain a shared services operating model that delivers maximum benefits.

The Department of Housing and Public Works is well positioned to have a view on what a whole-of-government strategy could look like because it:

- hosts two of the largest shared corporate service providers—Queensland Shared Services (QSS) and CITEC, and hosts other cross-government service providers within its portfolio (for example, QFleet and Building and Asset Services)
- hosts a customer governance board that engages all customers of CITEC and QSS that could be leveraged for customer consultation—Government Shared Services Customer Board
- is responsible for the whole-of-government technology strategy and is leading the digital agenda for Queensland government.

It will need to be supported by central agencies to have the impact across all departments that is required.

Are shared services delivered efficiently and effectively?

Customer views

We found that customers became increasingly satisfied with their shared corporate service provider as technology makes their work easier or costs cheaper. Unsurprisingly, customers value accurate, timely, and low-cost service delivered by providers who can demonstrate strong internal controls. Customers that have not seen improvements in their processes and systems, or lower costs over time, were less satisfied.

After a long period of relatively little change, high-volume services like payroll and accounts payable have been the focus of system consolidation and process standardisation. Significant improvements have recently been made possible through automating parts of these processes including data entry and validation steps. Some customers, however, still remain on versions of systems requiring significant manual effort.

Measuring value

Not all providers measure and understand their volumes, standards, and costs across the scope of services. It would help if providers had a consistent framework for demonstrating how they determine the value of each service and how effectively they monitor delivery of their objectives. This would enable them to demonstrate their contribution to overall value for money from investment in continuous improvement and innovation activities. It would also assist in comparing service across providers, which could help to drive greater efficiency within the sector.

Understanding costs

We found that providers need to improve their understanding of what it costs to deliver each service. This includes understanding all components of costs, including where public ownership supports or detracts from cost-effective service delivery. As the pace of automation increases, it can be hard for providers to quickly and accurately identify what the cost implications are for each of their services. This makes it difficult for them to pass on any savings and benefits in a timely way.

Customers also need to understand how the actions they take can contribute to, or detract from, effective and efficient shared services.

The price providers charge their customers for a service may be more or less than what it costs for them to deliver that service. This is because pricing strategies may take into account other goals, such as encouraging customers to use more efficient service options or ensuring the provider can sustain a certain level of service. While customers are often informed of this possibility, it is not always clear if services are being delivered at prices above or below cost, and why.

Audit conclusions

There is still significant benefit to be realised from the shared corporate services models that exist within the Queensland Government. When shared service providers have made the effort to consolidate, standardise, and automate corporate service offerings, they have demonstrated the ability to deliver improved services for government. But large providers (like Queensland Shared Services) have only just completed the required projects that have allowed some of these improvements to occur. For example, moving customers onto a less complex set of systems has meant they have been able to invest time in simplifying processes.

As some shared service providers have been slow to deliver benefits, their customers question what corporate services should be delivered by which provider, if any.

Over time a vision for Queensland's shared corporate services, and customers' confidence in the benefits it can deliver, have started to fade. Because of this, customers are making decisions in silos which will limit the benefits that can be achieved at a whole-of-government level.

It is time to reset the strategy for corporate services delivery in Queensland and confirm a commitment to driving savings across the whole sector. Technology is already delivering real savings through automation and self-service, and the pace of change is expected to increase, along with efficiencies.

A stronger focus at the whole-of-government level is required to ensure:

- there is clear justification for the existence of multiple providers of similar services—so that customers with similar needs are receiving services from the most appropriate and efficient provider available
- customers are committed to the shared services model and its most efficient service delivery options—so that providers can invest in service delivery and improvement knowing that they have adequate future demand to support return on that investment
- investment in technology delivers continuous improvement of services while managing risk—responsibly updating technology as necessary and not continuing to use outdated or risky systems
- agencies (providers and customers) have a pathway for managing what happens to employees whose roles are affected by automation—with technology automating services quicker than ever before, resources across government need to be ready to support the people who are impacted
- priority is given to measuring and monitoring the impacts of efficiency improvements—this will help providers and customers learn from each other's successes and will encourage future collaboration.

This has to be supported by a better understanding by shared service providers of their costs so that they can be transparent with their customers about value for money and justify their pricing approaches. With that in place, they can challenge each other to collectively generate real efficiency savings for the sector.

Recommendations

Department of Housing and Public Works

We recommend that the Department of Housing and Public Works:

1. leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.

   The role of this arrangement should include monitoring performance, promoting collaboration and best use of resources, and developing the cultural change agenda required to complement technological advances.

   Interactions with existing governance arrangements, like the Chief Executive Leadership Board, the Government Shared Services Customer Board, and the responsibilities delegated to Chief Executives through the *Financial Accountability Act 2009*, should be considered as part of this process.

   We acknowledge that this is a whole-of-government initiative and therefore input from central agencies and all directors-general will be required (Chapter 2)

2. leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland.

   This should include all Queensland Government shared corporate services operations, not just the shared corporate service providers included within the scope of this audit (Chapter 2)

3. works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers (Chapter 3)

4. coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies. (Chapters 2 and 3)

Public Service Commission

5. We recommend that the Public Service Commission works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation. (Chapter 2)

All shared corporate service providers

We recommend that each Queensland Government shared corporate service provider:

6. for each service it provides:

   - defines a clear strategy, acknowledging external factors (such as innovation in service delivery models and technology), user demand, and future funding challenges
   - establishes an understanding of the full cost per service
   - establishes and monitors standards for volume, quality, and time (Chapter 3)

7. maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework* so that demand, efficiency savings, and performance standards can be compared across providers (Chapter 3)
8. establishes a transparent pricing strategy, if funded through fee for service, that includes efficiency, behavioural and sustainability objectives (Chapter 3)
9. formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria (Chapter 2)
10. works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level. (Chapters 2 and 3)

All customers of shared corporate service providers

11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland Government by:
    - providing shared service providers with quality inputs to their processes to aid efficient processing
    - considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level
    - continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements
    - effectively monitoring performance of shared service providers in accordance with shared service level agreements
    - continuing to collaborate on improvement initiatives. (Chapters 2 and 3)

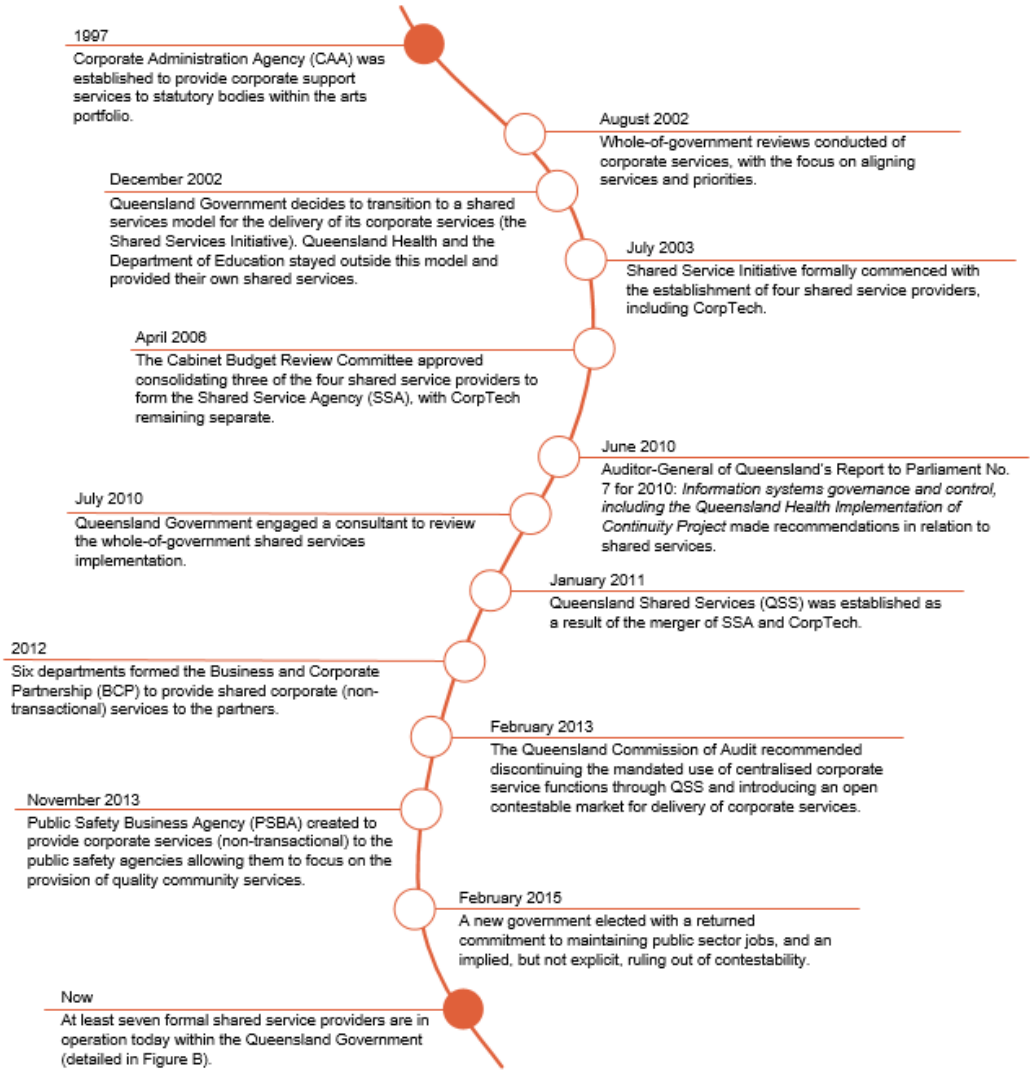
1. Context

This section provides the background to the audit and the context relevant to the findings and conclusions.

Shared services in Queensland

There has been a long history of shared corporate services within Queensland Government, starting as early as the 1990s. The objective of implementing shared services has been to support frontline services by having efficient corporate services. Figure 1A provides a timeline of shared corporate services over the past two decades.

Figure 1A
History of Queensland Government shared corporate services

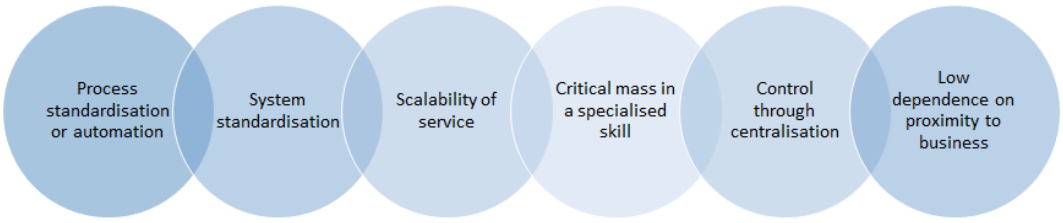


Source: Queensland Audit Office.

Effectiveness of shared services

Corporate services can be delivered by an in-house corporate services function or by a shared service provider. Queensland's *Contracting-out of Services Policy* (explained later in this chapter) limits outsourcing of shared services to areas where expertise is not available within government. Services are typically selected for shared delivery based on the ability to improve quality or reduce the risk or cost of service. This is the same whether in the public or private sector. Figure 1B describes the factors (or drivers) that influence the value provided by shared services.

Figure 1B
Drivers of value for shared services

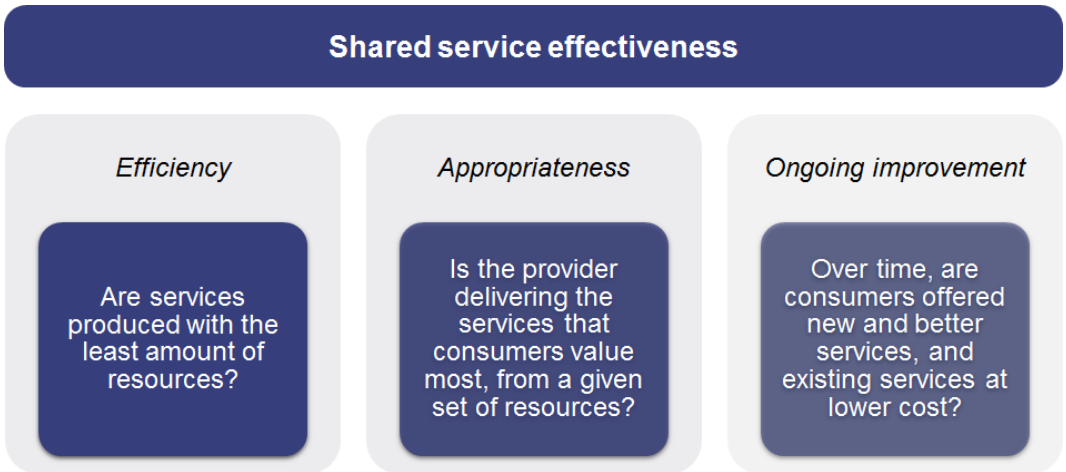


Note: Scalability of service means the capacity to grow or reduce the service as required.

Source: Queensland Audit Office, adapted from research into shared services best practice.

Effective shared service providers are efficient in all aspects of their operation. Figure 1C shows the three ways in which shared service providers can measure and manage efficiency.

Figure 1C
Measuring the effectiveness of shared services



Source: Queensland Audit Office, adapted from principles in Queensland Audit Office's Follow-up: Monitoring and reporting performance (Report 3: 2016–17).

Relevant legislation, policies and strategies

Legislation

The *Financial Accountability Act 2009* requires the accountable officer or statutory body to administer the agency in the most efficient, effective and economical manner within the requirements of the legislation.

Policies

Shared corporate service providers must comply with a range of government policies in the delivery of their services, of which the following are particularly relevant to the scope of this audit.

Full Cost Pricing Policy

The *Full Cost Pricing Policy* defines the basis of cost-recovery pricing for service providers. It aims to ensure there is a level playing field between public and private business—that is, competitive neutrality. It applies to significant business activities and commercialised business units. The policy goal is best achieved by ensuring prices are based on the full cost of supplying a product or service, adjusted for (among other things) advantages and/or disadvantages imposed by public ownership. Queensland Treasury administers the policy.

Employment Security Policy

The *Employment Security Policy* supports maximum employment security for Queensland Government employees. It aims to stabilise government by restricting changes that impact on the government workforce, and on society and the economy. This includes significant job losses or changes in service delivery arrangements, especially in regional and rural areas. Where performance improvements affect employees, the policy requires a focus on retraining, deployment, and redeployment, and then on voluntary early retirement. Retrenchment is only to be undertaken in exceptional circumstances, and only with the approval of the Public Service Commission Chief Executive. The policy influences the pace or extent of efficiency that a Queensland Government shared service provider can achieve from operational improvements. The Office of Industrial Relations administers the policy.

The following Public Service Commission Directives are also applicable:

- *Supporting employees affected by workplace change (Directive 17/16)*
- *Temporary employment (Directive 08/17).*

Contracting-out of Services Policy

The *Contracting-out of Services Policy* confirms a preference for delivery of services by Queensland Government, not the private sector, when productivity and value for money can be demonstrated. It puts the priority on improving the performance of government services rather than using non-government service providers. While exceptions exist to this policy (for example, where skill shortages exist within government) or it is clearly in the public interest, Cabinet approval is required to consider contracting-out services currently provided by the government workforce. The Office of Industrial Relations administers the policy.

Whole-of-government strategies

DIGITAL1st Strategy

The Queensland Government has committed to 'upgrading core systems and infrastructure, so people have modern tools to complete their work and keep the cogs of government turning more efficiently' (*DIGITAL1st Strategy*). Having begun to reduce ageing technology platforms across the government, the strategy proposes, amongst other things, testing emerging automation technology across corporate services.

10 year human capital outlook and 3 year human capital strategic roadmap

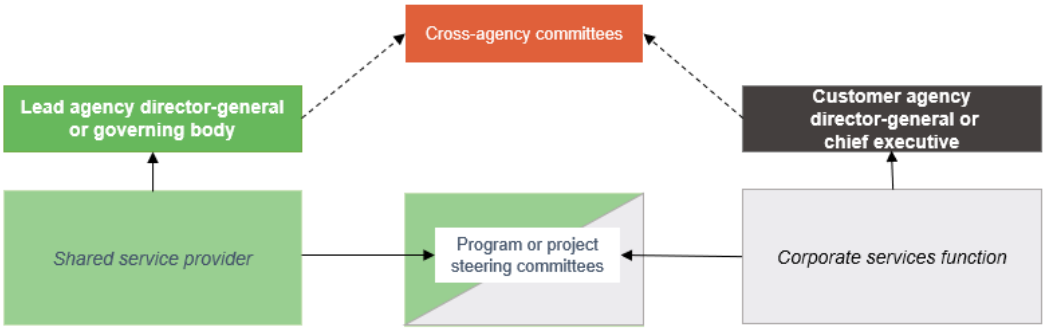
The Public Service Commission has stated that around 40 per cent of roles and occupations will be impacted by automation and responded to this in its strategic roadmap. The government has committed to attracting and growing the right talent across government.

Roles and responsibilities

Shared services functions are generally delivered from within a lead agency's corporate structure. The Public Safety Business Agency is an exception to this rule, governed instead by its own legislation and board. The Business and Corporate Partnership also operates under a board. Because of the multi-agency nature of shared services, the lead agency's decision-making authority is partly supported by cross-agency committees and responsible officers within customer agencies.

Figure 1D shows the governance framework supporting shared services operations in Queensland Government.

Figure 1D
Main elements of governance of shared corporate services



Source: Queensland Audit Office.

Cross-agency forums

Cross-agency forums currently exist within the Queensland Government to ensure agencies collaborate to deliver whole-of-government priorities. These include the Chief Executive Leadership Board and the Directors-General ICT (information and communication technology) Council. Figure 1E shows the cross-agency governing bodies relevant to shared corporate services in Queensland.

Figure 1E
Roles and responsibilities of cross-agency committees

Role	Responsibilities
Chief Executive Leadership Board	Chaired by the Director-General, Department of Premier and Cabinet, it is made up of chief executives of all departments. It is responsible for: • whole-of-government coordination and collaboration • monitoring delivery of government priorities • early identification and resolution of policy conflicts • identifying and responding to emerging trends and opportunities.
Directors-General ICT Council (strategic sub-committee of the Leadership Board)	Chaired by the Director-General, Department of Housing and Public Works (DHPW), it has the chief executives of eight departments and the Public Service Commission as members. It is responsible for: • providing oversight and advice to government on the application of digital innovation, ICT-enabled initiatives, and ICT delivery • reviewing major ICT-enabled initiatives across government.
Government Shared Services Customer Board	Membership includes an external chair, heads of Queensland Shared Services (QSS) and CITEC, and nine of their customers. It is responsible for providing advice, endorsing initiatives, and making recommendations to the Director-General, DHPW on: • oversight and guidance for QSS and CITEC strategy and future direction, including future strategic shared service requirements • driving alignment between provider and customer business plans • strategic oversight of funding, costing, and pricing models, and reforms to improve the sustainability, efficiency, and transparency of shared services • a whole-of-government customer view of the value for money of shared services.

Source: Queensland Audit Office.

Lead agency and governing bodies

Figure 1F shows the governance roles and responsibilities for the shared service providers within the scope of this audit. The chief executives and directors-general of all customer agencies are also responsible for delivering the best possible services and value for money to the Queensland community.

Figure 1F
Roles and responsibilities of lead agency or governing body

Role	Responsibilities
Lead agency director-general	Responsible for effectively implementing government policies; ensuring the agency delivers the best possible services and value for money to the Queensland community; and administering and managing the agency within a framework of laws, industrial instruments, directives, and guidelines. Member of the Chief Executive Leadership Board.
Business and Corporate Partnership Board	Membership is made up of the directors-general and heads of corporate services of the Business and Corporate Partnership (BCP) departments. The board is responsible for setting the strategic direction and priorities, championing collaborative corporate activities across departments, and monitoring the effective and efficient delivery of the BCP's services.

Source: Queensland Audit Office.

2. Designing and governing strategically

Introduction

We assessed whether Queensland's shared service providers are guided by a clear strategy and governance structure in order to effectively deliver the right type and range of corporate services.

We expected to find that the Queensland Government has:

- a well-defined strategy and governance structure to guide the direction of its shared corporate services operations
- aligned its strategy and planning for shared corporate services with its whole-of-government plans for technology and public sector workforce changes
- a suite of services that lend themselves to effective shared corporate services delivery and which customers are committed to purchasing
- principles for entry and exit to shared corporate services
- specific targets to drive and measure the efficient and effective delivery of shared corporate services.

Shared services design

Establishing a shared services strategy

There is no whole-of-government strategy that sets out the objectives of shared services within the Queensland Government. Nor are there principles to guide shared service providers. This means there is no overarching direction and documented commitment to delivering the Queensland Government's corporate services as efficiently and effectively as possible (for the least amount of public sector resources). This leads to individual agencies making decisions that are not necessarily aligned to the interests of whole-of-government efficiency.

A strategy would assist in determining which services lend themselves to being delivered efficiently through sharing and which providers are best positioned to deliver those services across government. It should also set targets for efficient delivery of services.

During the audit, we saw some elements of operational strategy. Each of the shared service providers we audited had an operational strategy and was working to improve service delivery over time. Some had informal rules for whom they should provide services to.

However, the current individual (siloed) approach has led to a lack of consensus about whether services are being delivered by the right providers to the right group of customers at the right service standards or costs.

Shared service providers and customers make decisions about the services they provide and to whom they provide them without any guiding principles.

Changes have occurred, and are occurring, that make it even more important to have these guiding principles in place. For example:

- Customers and shared service providers have digitised (automated) their services in order to use their resources more effectively. When capacity has been created by this, some customers have brought services back in-house rather than leaving them with the shared service provider. To accommodate the shared services' resource capacity created by efficiency, some shared service providers have expanded the type and range of services they provide into other corporate services like stocktaking or workplace health and safety systems.
- At present, shared service providers are focusing on automating transactional processes (such as employee self-service functionality). This is reducing the amount of resources they need. The impacts on the workforce are being managed reactively on a project-by-project basis.
- Having numerous service providers offering the same or similar services to different customer segments creates different service standards and costs across government. This is further discussed in the *Deciding on scope of services* section later in this chapter.
- Robotic process automation is currently being tested across government. This is software that imitates and then replaces the repeatable steps that people currently do manually, like checking data matches across more than one system before moving to the next step in the process. This functionality can be rapidly implemented (in weeks rather than months). For shared services, this will further reduce the need for manual processing resources, but it is not yet clear how much can be automated and how the software will be managed beyond initial implementation.
- The range of corporate services is increasing. For example, data publishing and analytics are ever-growing requirements of government agencies. A new operating model has not been designed and skill requirements have not been defined for this, yet resources are being allocated across government (for both customers and providers) to meet needs in the interim. This could lead to duplication of these services.

All of this makes it difficult to assess whether the efficiency of the whole-of-government shared corporate services environment is improving over time.

Aligning business, technology, and people strategies

Given the recent advances in technology, there has been no better time for shared service providers to use it to improve efficiency and lower costs. But this has implications for customers and for the shared service staff currently manually performing services. The shared service providers we audited are finding it increasingly difficult to realise efficiency gains through technology advancements.

This is because:

- customers are not always willing to quickly move to new technology platforms to achieve the efficiencies. Sometimes, the decisions agencies have taken within their own system environment prevent timely adoption of more automated options
- there are no clear employment pathways across government for employees in roles affected by automation
- the number of temporary employment contracts reduced with the 2017 introduction of an employment directive that limits the time a person can be employed on a temporary basis
- there is no framework for clearly assessing potential new shared corporate services in which providers could use some of the capacity created from the introduction of technology. To get a new service up and running takes significant individual negotiations with customers so the provider needs to generate sufficient scale to make it economical
- the nature of technology solutions is changing, and the providers must make choices between continuing to use existing assets (and hoping they will do the job without costing too much) or taking up cheaper, supposedly easier-to-maintain solutions in a shorter time period. These choices are made more difficult by the lack of processes to reliably measure overall benefits from investment in services, systems, or people.

All three of the shared service providers we audited have relied on having a flexible temporary workforce in order to respond to changes in volumes of work generated by their customer base and requirements for different skillsets. For Queensland Shared Services (QSS) and the Corporate Administration Agency (CAA), this has included being able to downsize their workforces in response to improved efficiencies achieved by automation.

However, the pool of temporary resources is diminishing. While providers can make temporary appointments in circumstances where skills are required for projects until a specific end date, their longer-term ability to use a flexible workforce to manage business-as-usual efficiencies is less clear.

Customers expect efficiency benefits out of shared services, and technology can deliver these benefits. However, it can take much longer to change people than it does to change technology. It is important that the future strategies and expected benefits of shared services, technology, and workforce are much better aligned.

The Public Service Commission has drafted policies and directives to support staff affected by change but we did not see evidence of whole-of-government application of these policies in response to automation.

Determining customer base

As there is no whole-of-government strategy for shared services, there is no documented guidance for customers about the suitability of different service providers. In the shared service providers we audited, the type and range of their services and customer groupings are largely determined by customers with similar technology and/or business needs. They stay fluid as these needs change.

Different service providers have different appetites for growing the number of customers they service and are affected to differing degrees by machinery of government changes. Ideally, providers would have a strategy guiding the types of customers to whom they are well suited to provide services. They should also understand how many customers they need in order to generate efficiencies and have economies of scale.

We expected to find there were principles in place to guide entry and exit of customers to shared corporate services.

Queensland Shared Services

Since 2011, QSS has provided shared corporate services to all government departments, except for Queensland Health and the Department of Education. At different points in time, they have also provided services to statutory bodies. Typical services they have provided include finance and payroll processing, human resource advisory services, support to the finance and payroll technology solutions, and mail services. QSS currently has 25 customers.

Demand for some services has decreased in recent years. This has generally been as a result of new technology eliminating the need for the service or the customer wanting more control over the process. In some cases, customers cited QSS's inefficient delivery of a service as the reason for withdrawing.

In recent years, while some customers have stopped using one or more of QSS's services, none have exited all services. Case study 1 illustrates the reasons two customers stopped using particular services.

Case study 1

Exits from QSS's finance function

Queensland Treasury (Treasury)

In 2016, Treasury's finance function implemented its own version of SAP S/4HANA. QSS no longer supports any finance services for Treasury. While we could not find evidence that the architectural decision was supported by the Directors-General ICT Council, the implementation was supported by Treasury and the Queensland Government Chief Information Office based on the negligible impact on other agencies (within QSS's customer base) from the system licensing cost.

Department of Natural Resources, Mines and Energy (DNRME)

Later in that same year, DNRME (at that time known as the Department of Natural Resources and Mines) implemented its own finance system (SAP S/4HANA). This was at a time when the rest of government agencies serviced by QSS were migrating to SAP ECC6.3. The Directors-General ICT Council supported this as part of DNRME's One Enterprise Program which, in part, aimed to remove the risk associated with its ageing revenue collection systems.

This successfully automated most of DNRME's finance processing but QSS is still required to support it with manual processing in SAP S/4HANA for some finance services (40 per cent of accounts payable, 15 per cent of general ledger and reporting, and 50 per cent of other finance services).

While DNRME no longer needs QSS to provide technology solution support for SAP S/4HANA, it foresees no reason not to revisit that should the rest of the government agencies migrate to this solution or if capability exists within QSS.

Source: Queensland Audit Office.

As stated earlier, some customers reported taking a corporate service back from QSS because they perceived a lack of value. For example:

- A customer exited from asset accounting as it believed it could achieve better value delivering it in-house.
- A customer fully automated its corporate card process and no longer needed QSS's service. It also halved the asset and general ledger services it used from QSS as it was proven to be better delivered from within its own agency.
- A customer is currently questioning whether using QSS's human resources case management service is the most efficient way for the service to be delivered or whether it would be better to provide it in-house.
- A customer brought the job evaluation management system (JEMS) service back in-house because it can complete an evaluation in one day whereas QSS's key performance indicator for the service is 10 days.

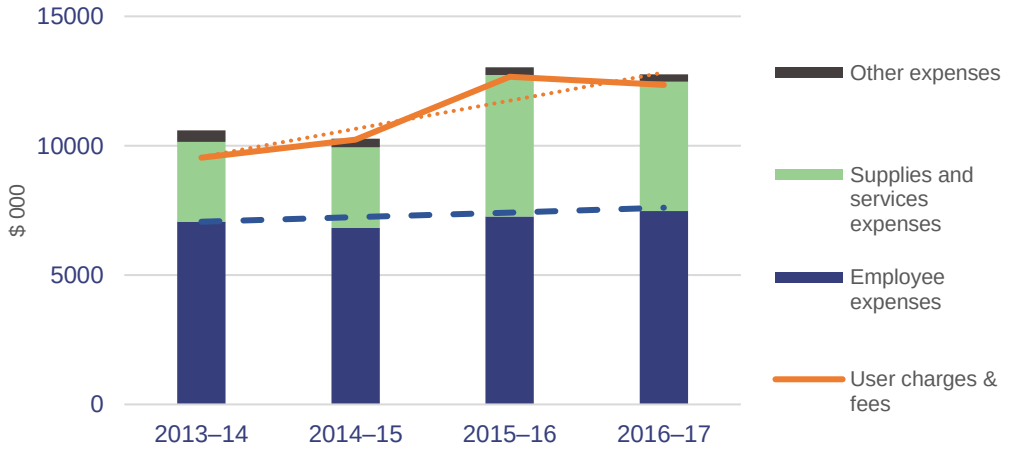
Sometimes, the demand for service has changed with the advance of technology. This is the case for mail services, which have dropped 17 per cent (or nearly one million mail items) since 2013–14.

The Corporate Administration Agency

The customer base of the CAA is (largely) made up of statutory bodies. They use the CAA for a full suite of services, which means they can keep their in-house corporate service areas lean and focused on strategic decision-making. However, not all statutory bodies use the CAA. Of the 318 statutory bodies listed on the Department of the Premier and Cabinet's website, 17 are supported by the Department of Health, four by Queensland Parliamentary Service, and 27 by the CAA. The remaining bodies use alternate models (including in-house provision and outsourcing to providers outside of government).

The CAA has proven that it is able to take on more customers, with a negligible increase in employee expenses (beyond those attributable to enterprise bargaining wage rises), as shown in Figure 2A. Since 2013–14, 13 customer agencies have joined the CAA, while three others joined then exited as a result of machinery of government changes.

Figure 2A
Relationship between the CAA's revenue and costs



Source: Queensland Audit Office from annual reports of the Department of the Premier and Cabinet and the former Department of Science, Information Technology Innovation and the Arts.

The CAA perceives it has a limitation on total customers due to administrative barriers, like caps on the number of full-time equivalent (FTE) employees. The CAA aims to establish new customers on the same systems for finance, human resources, and records management services as its existing customers to promote economies of scale. While this places a potential limitation on which customers it will take on, CAA is prepared to use other systems provided its current customers are not disadvantaged. If the CAA was in a position to provide services to more customers, it could deliver more overall value to the Queensland Government.

The CAA has established a self-sustaining operating model to ensure it has minimal impact on its customers when the entity is moved through machinery of government. Over time this has been an advantage for its existing customers. However, a lack of strategic guidance may mean that the further economies of scale across government are not being considered.

The Business and Corporate Partnership

The Business and Corporate Partnership (BCP) evolved from a desire to minimise corporate service disruption resulting from machinery of government changes, which have often affected the same portfolio of agencies. Created in 2012, the partnership supported a matrix of three corporate service hubs servicing six agencies providing:

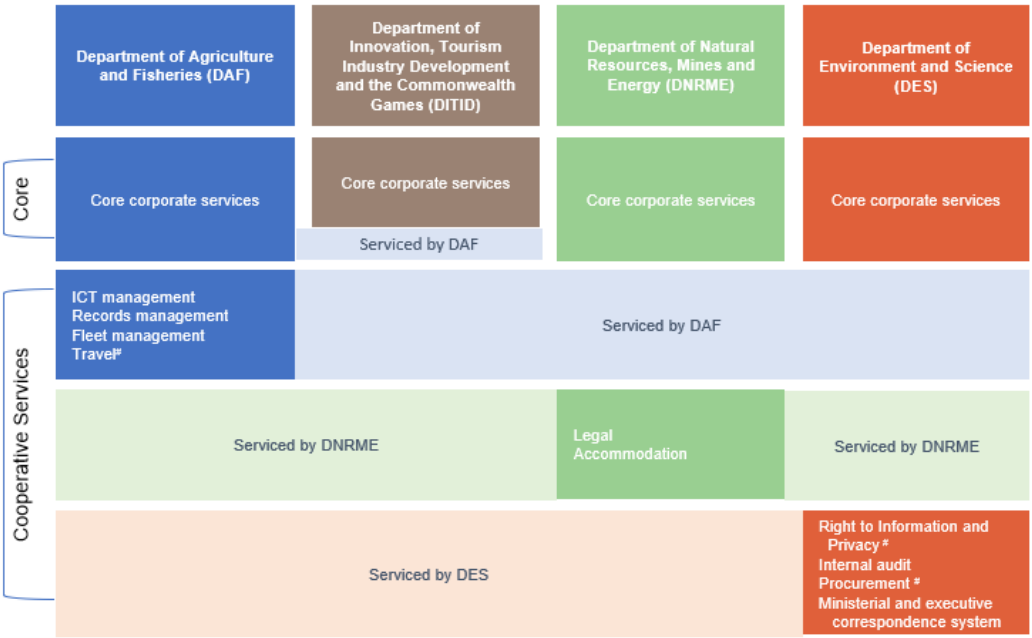
- *core services*: with one hub providing finance, asset, human resource, communications, governance, and risk management services to one other agency within the partnership
- *cooperative services*: with one hub providing one or more of the following services to most or all other agencies within the partnership: information and communication technology (ICT), fleet, legal, accommodation, right to information and privacy, internal audit, and procurement services.

Following the machinery of government changes in December 2017, today's BCP supports four agencies and has a simplified model for the delivery of core services (that is, the near-dissolution of the hub model for core services).

The departments could have used the existing shared corporate services to absorb appropriately-skilled employees from the dissolved departments into the existing BCP. Instead a fourth corporate services team was created. Had there been a whole-of-government operating framework against which to make decisions, this may or may not have occurred.

The BCP has renewed focus on a better defined and executed service delivery of cooperative services. Figure 2B illustrates the BCP's current customer service model.

Figure 2B
BCP's customer service model



Note: # Travel is not delivered to DES, and Right to Information and Privacy and Procurement are not delivered to DITID.

Source: Queensland Audit Office.

The BCP Board, which is ultimately responsible for the BCP, has recently confirmed a fundamental change to its operating model that allows for BCP providers to deliver services to agencies outside its four core customers, for a fee, if capacity allows.

Deciding on scope of services

As with decisions regarding customers, decisions regarding what services are delivered by shared corporate service providers and what services customers choose to obtain from them, are unconstrained. Although there are positives in flexibility of service provision, it also creates challenges for shared service providers when the volume of transactions they process changes significantly.

When this occurs, shared service providers can face difficulties in managing their resources and in pricing the remainder of their services for customers. We observed genuine effort by the providers to manage resources, including reallocating people to different tasks or reducing the resources they consume to maintain the same level of effectiveness from the shared services operating model.

However, sometimes this is not possible in practice, as Case study 2 highlights.

Case study 2

Mitigating the impact on remaining customers from volume reduction as a result of customer exits

When DNRME and Treasury exited some or all of QSS's finance functions, both customers paid disaggregation costs and agreed to the permanent transfer of employees as part of the exit negotiations. Three of the 11.4 FTE QSS allocated to service DNRME's finance demand were permanently transferred and five of the 8.7 FTE QSS allocated to service Treasury's finance demand were permanently transferred as a result of this project.

The cost of the remaining 12.1 FTE was paid by DNRME and Treasury for the first year after their exits. This was ostensibly to allow QSS one year to release the cost of those resources from the finance function. However, when reviewing its 2018–19 pricing, QSS identified approximately $1 million that would need to be absorbed by its other customers, *in part* due to residual costs that QSS had not been able to remove by the end of the year after DNRME's and Treasury's departures.

Source: Queensland Audit Office.

This highlights that QSS does not have formal practices in place to ensure these sorts of costs are isolated or reconciled after the exit fee coverage period. As a result, the pricing process beyond that period has to cover these costs and/or reallocate them to remaining customers. (This is further discussed in the *Service Prices* section of Chapter 3.)

Where volumes have dropped slowly as automated alternatives become available, providers have relied on their pricing and budgeting processes to react to and manage excess resources. In some cases, providers have proposed new services to consume some of the excess capacity.

This has not, however, been undertaken strategically. No provider was able to show us a specific process for assessing the viability of new services outside the normal project governance, and there was no evidence of whether:

- the service could be delivered cost-effectively in business-as-usual mode
- internal capability already existed to implement and manage the solution on an ongoing basis
- an optimal number of users for the new service had been defined and realistic demand modelled to determine the prices that would bring in enough customers to achieve adequate economies of scale.

Governance

Accountabilities

Accountabilities for the effectiveness of shared services remain with the director-general or chief executive officer of each shared service provider. We observed that most customers are collaborating well with providers on operational matters such as delivering projects on time, using standard solutions, taking up automated options when they became available, and clearly communicating their intentions about services.

However, when strategic decisions need to be made, providers and agencies are unclear on whether these decisions should be considered from a whole-of-government perspective and, if so, who should do it.

This means that, while most customers agree that there is collective efficiency at a whole-of-government level from shared services, other customers inform decisions based on value to their specific agency . This is highlighted in Case study 3.

Case study 3

The impact of agency decision-making on the shared service operating model

When one agency was considering leaving the QSS operating model, it used an independent consultant's design principles and weighted criteria to assess the strengths and weakness of shared services versus insourcing (within the agency). The criteria included:

- *Governance*—efficiency of internal controls and compliance
- *Scalability of the service model*—ability to quickly increase/decrease the organisation to accommodate business need and machinery of government
- *Standardisation*—strength of process ownership, decision rights, and accountabilities
- *Risk*—predictability of service levels and cost to deliver
- *Strategic alignment*—reduced focus on non-core, low-value activity
- *Human resources*—development and retention
- *Timing of delivery*—ability to achieve a future target state in the shortest amount of time
- *Performance measurability*—ability to measure key performance indicators and continuous improvement.

The criteria allowed the customer agency to arrive at a score for qualitative assessment. This was then used in the following equation to establish a comparative value-for-money score:

$$Value\ for\ money\ score = (Qualitative\ score/Cost\ to\ deliver\ over\ 10\ years)\ x\ 100$$

Source: Queensland Audit Office, from an independent consultant's review into corporate services delivery model for one agency.

While this provided the agency and its director-general with a way to inform decision-making that balanced cost and a qualitative assessment of value, it raises questions about the lens through which these types of decisions should be considered. In this case, the analysis suggested it was better for the agency to deliver its own corporate services in full. While this was the conclusion of the review, the agency has not progressed exiting from QSS.

Using the same value-for-money framework, but applying a whole-of-government lens (similar to that applied in the 2010 independent review of shared services noted in Figure 1A), we were able to arrive at an opposite conclusion than the independent report. Our analysis hypothesises that QSS will deliver efficiency as well as the customer agency, and that the test of *Strategic Alignment* used in the assessment was applied at the whole-of-government, rather than the agency, level. This shows that it is important to have clear value-for-money criteria against which changes to the shared services operating model can be decided.

Governing bodies

Whole of government

While the Chief Executive Leadership Board ensures there is whole-of-government collaboration to deliver government priorities, no specific shared services oversight committee exists. The Shared Service CEO Sub-Committee was established in late 2010 to oversee the ongoing delivery, performance, and improvement of core finance and human resources/payroll services, and integration with corporate services business processes across Queensland Government. The last record of this committee we could locate was from early 2012.

The terms of reference for that committee were:

> The Shared Services CEO Sub-committee will make decisions in relation to:
>
> - the strategic direction and planning for shared services and business improvement of corporate services delivery at a whole-of-government level including options for monitoring and improving performance, evaluation and refinement of the model
> - shared services policy and its integration with whole-of-government strategic directions relating to corporate services and related 'back of office' services and internal controls
> - mechanisms for committee members to meet their responsibilities for shared services' implementation and service delivery within their respective agencies
> - the changes necessary to implement all shared services and internal controls related projects
> - the planning, investment and management of the Corporate Solutions Program
> - relevant whole-of-government and agency ICT-enabled initiatives, including business cases and prioritisation of initiatives, and addressing related Auditor-General findings
> - managing the risks arising from shared services implementation and delivery.
>
> The Shared Services CEO Sub-committee will also consider and review relevant ICT-enabled Cabinet and Cabinet Budget Review Committee submissions.

The Sub-Committee was chaired by the Director-General, Department of the Premier and Cabinet, and sub-chaired by the Queensland Government Chief Information Office. Any future whole-of-government body relating to shared services could build on this approach and amend it to focus on ongoing operational efficiencies, rather than on implementation issues.

Provider-level strategic governance

All three of the providers we audited were able to show evidence that their executive management teams were provided with operational information to support the day-to-day running of services. Risks were managed through existing risk management frameworks, and customers were engaged through standard communication channels. Examples included regular meetings with customers' heads of corporate services or forums where providers speak directly with their buyer within the customer agency or body.

Two providers engage in collaborative decision-making under governed arrangements, but have some issues in terms of the effectiveness of their processes:

- *Government Shared Services Customer Board* (Customer Board—for QSS and CITEC)*:* The Customer Board has an unclear and unreviewed scope, with no clear direction or plan on areas to influence. It is well attended, but members often delegate attendance to proxies at lower levels of authority. This means there is not always a continuity of purpose. (Figure 1E shows the role and function of the Customer Board.)
- *BCP Board:* The BCP Board has not met as regularly as it should to monitor the performance of its services, including whether its departments are receiving value for money from the shared services. (Figure 1F shows the role and function of the BCP Board.)

Measuring success

Whole-of-government targets

There are currently no whole-of-government targets that quantify shared services success. Technology is changing from requiring longer term capital investment in software and hardware to being purchased as a service, using operating budgets. Major technological advancements are changing the type and range of services provided and delivery approaches, and corporate services budgets are under constant pressure. This makes it timely to consider reconfirming the expected benefits of shared services and resetting the model to deliver better whole-of-government level decision-making.

Provider level targets

There is no consistency of efficiency or effectiveness measures, definitions, or targets for services. In the providers we audited, the measures varied widely. The Service Delivery Statement measures provide a snapshot of the variety, summarised in Figure 2C on the following page.

Each provider also measures and monitors more than it defines in its Service Delivery Statement. Sometimes this is part of service standards or in internal management reporting. While they do report on these measures to their customers, the reports are usually untimely, sometimes incomplete, and often unaudited.

Figure 2C
Service Delivery Statement service standards measures for audited providers

Provider	Measures	Target	Type of measure
QSS	Percentage of payroll services delivered within service agreement standards	Greater than or equal to 97%	Effectiveness
	Customer satisfaction with human resource (HR) services	80%	
	Percentage of finance services delivered within service agreement standards	Greater than or equal to 95%	
	Customer satisfaction with finance services	80%	
	Number of pays processed per FTE per fortnight	Greater than or equal to 325	Efficiency
	Number of accounts payable transactions processed per FTE per annum	Greater than or equal to 9 000	
CAA	Customer satisfaction with CAA services	75%	Effectiveness
	Customers consider CAA services give value for money	90%	
	CAA operating surplus/(deficit)	Break even	Efficiency
	CAA annual unit pricing does not exceed the greater of consumer price index or public service award increase	75%	

Note: BCP departments' Service Delivery Statements do not currently list shared service provision as a service delivery area and as a result have no comparable measures to report.

Source: Queensland Audit Office, from Service Delivery Statements—budgets 2018–19.

The measurement framework for the CAA recognises that the unit price for services is a measure of efficiency. The output achieved as a function of cost over time is a valid indicator of progress against better economies of scale. However, it is difficult for customers to track the calculation of this pricing change as the CAA does not publish its prices as its standard practice.

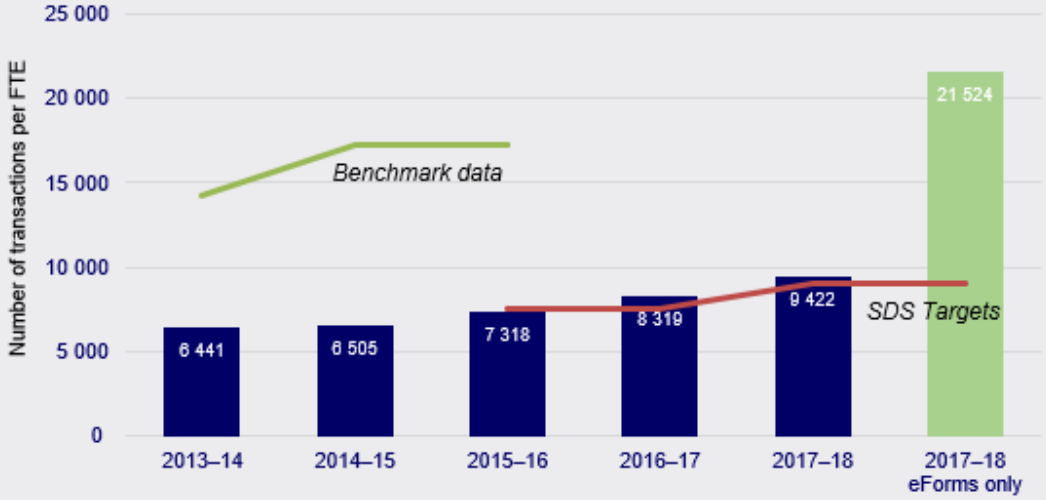
QSS's targets include more specific measures of efficiency, for example, volume per FTE per annum. These show how both the ability of the provider to deliver more efficient service offerings, and the customers' willingness or ability to use that option, affect the efficiencies it achieves.

Case study 4 demonstrates the potential scope of efficiency that *could* be achieved for a service if the most efficient processes and technology were adopted by all customers.

Case study 4

Accounts payable transactions processed per FTE per annum

There has been significant improvement in efficiency of accounts payable services within QSS since the introduction of eForms (electronic forms that replace manual or paper forms). The introduction of eForms to the SAP process has allowed a 14-step process with significant manual effort to become a much more streamlined four-step process.



Note: Benchmark data is sourced from *Australasian Shared Services Association Report 2015*

Nine FTE processed 193 714 eForms, which amounts to 21 524 processed per FTE. Using the budget volumes and FTE data for 2018–19, if all processing (499 381) were performed at the same rate as achieved by the eForms team, this would consume 23.2 FTE resources rather than the total of 55 FTE budgeted across manual and eForms price elements. (That is, there would be 31.8 excess FTE.)

Source: Queensland Audit Office.

The possible result shown above cannot technically be achieved without significant technology implementation for some customers.

In Case study 4, QSS has service standards targets for efficiency measures that are tracking closely to achieved levels of service each year. QSS could drive longer-term efficiency by using a stretch target (beyond what they currently achieve) that would allow it to target the potential benefits of automation in a focused way.

Benchmarking studies could inform this. However, as highlighted by Case study 4, the sporadic availability of useful benchmark data (with no useful data available for accounts payable since 2015–16) means it can only be used as a guide.

It is also critical that the overall efficiency of the full suite of services is monitored at some level. An incomplete measurement framework—one that only publishes results for part of the business—could be hiding problems in other service lines.

The price per service can be used as a proxy for improved value for money, as long as it is supported by a transparent pricing strategy. This will be further discussed in Chapter 3 *Service Prices*. Because the providers we audited are not all charging a fee for service, they need to ensure that efficiency and/or effectiveness measures are defined and monitored so the value of the shared service model can be monitored over time.

For legal services in the BCP where a measure like 'costs per legal action' would be highly dependent on the complexity of each action, effectiveness could be judged on quality of service, for example, capability and retention of high-performing staff or customer satisfaction. This may be more relevant to judge the success of that service than monitoring the unit cost of service.

These examples show that Queensland's shared service providers need to review their measurement and monitoring framework to enable a complete, transparent, and (where appropriate) comparable view of value for money.

Service agreements

Service level agreements are useful tools for establishing the type, range and standards of services delivered and the terms of engagement. Two of the three providers we audited have agreements in place across the suite of services that allow for a one–three-year commitment, with annual pricing reviews.

The BCP has service level agreements only for its ICT service, which is the only cooperative service that includes a cost-recovery component. (This will change given the recent decision by the BCP Board to allow BCP providers to deliver fee-based services to agencies outside its four core customers.)

The service negotiations and signing of agreements by customers is not timely. It is common to see customers not signing agreements months after they were due. In one provider's case, two customers have not signed a service level agreement for years, but service delivery continues regardless.

Feedback from customers received during the audit included the desire for agreements to:

- be more commercial in nature
- outline governance and enforceability more clearly
- include better efficiency and effectiveness measures
- document pricing strategies more transparently.

3. Delivering efficiently and effectively

Introduction

We assessed whether the audited shared service providers are delivering value to their customers.

We examined whether the providers are:

- meeting their customers' expectations
- delivering value for money services
- pricing their services appropriately
- continuously improving their services with a focus on future needs.

Voice of the customer

We spoke with a range of customers of the audited providers. We found some customers' satisfaction is improving as the providers make improvements to their services. This is particularly so where the providers have implemented technology that makes the customers' jobs easier or the cost of the service cheaper. The happiest customers are those who have been rewarded by lower-priced services for using the most automation and sharing the costs of consolidated systems with other agencies.

Where a customer is using technology that differs from other customers of the same provider, they are less able to benefit from the sharing of system costs. They may also have systems which are configured differently or their plans for change (often called roadmaps) might have diverged from the rest of the customers. These customers experience the standard of service differently and do not necessarily see the value of being part of a shared service arrangement.

Customers were also unclear about where each provider was strategically heading, beyond saying that they were planning to provide better services for the same or a lower cost.

Customers told us their indicators of value for money from shared corporate services. These included:

- it is not necessarily about the cheapest service; it is about getting it done right and on time
- services provided on time and of high quality
- error-free work
- keeping information secure and systems well maintained
- benefiting from the experience and understanding of the complex whole-of-government environment
- willingness to partner with and support their customers
- seeing investment in technology deliver lower cost services over time.

All three providers measure customer satisfaction, but not for all services offered. Each measures satisfaction using different techniques. These range from automated surveys at the end of a transaction to annual surveys that sample from top (executives) down in customer organisations.

Overall, most of the Corporate Administration Agency's (CAA) customers are happy with its services, with only 11 per cent dissatisfied. In the CAA's past two annual customer satisfaction surveys, 91 per cent of its customers who responded said its services were value for money.

While not as high as the CAA's results, customer satisfaction with Queensland Shared Services (QSS) and perception of value for money have both improved in recent years. QSS has changed the way it measures customer satisfaction in its 2018–19 Service Delivery Statement, using the more point-in-time transactional surveys of end-users. QSS notes this method of surveying results in a larger response rate than the annual survey and allows more timely response to customer satisfaction issues. This has also meant results much closer to the targets in Figure 2C are now being recorded.

The Business and Corporate Partnership (BCP) only formally measures and reports regularly on customer satisfaction of its information and communication technology (ICT) service, with an average satisfaction rating of 4.5 out of five. Otherwise, it relies on the communication between its BCP Board members to get feedback on service satisfaction.

Value for money

We found that the audited shared service providers do not always:

- define their services consistently
- measure and understand their service volumes and costs
- monitor and measure service standards.

This makes it difficult to determine whether value for money is being achieved for Queensland through the delivery of shared corporate services in all areas.

However, we saw several ways providers try to demonstrate they are delivering value for money for particular services. A more consistent framework would be useful in helping them navigate this challenge.

Defining services

The Queensland Government published a *Business Service Classification Framework* (the framework) for all government services in 2010. Last updated in January 2018, the framework was established to promote a consistent understanding of business services offered by government, so services could be defined and managed on a portfolio basis.

The audited shared service providers have not used this framework (it was not compulsory) to define their services consistently. Without a consistent definition, it is difficult for customers to compare services and for providers to compare and benchmark their performance against one another to ensure they are continuously improving.

For example, without a way to compare services across providers, there is no ability to:

- understand why or how each provider uses the same or different systems or processes to different standards of success
- challenge services to strive for optimal efficiency. For example, by using cost benchmarks to find opportunities for improvement in transactional services or structuring the ideal team with the necessary experience to best service its segment of customers.

Figure 3A shows that the opportunity for comparison exists, as there are several services provided by multiple providers.

Figure 3A
Shared corporate services provided by more than one provider

	BCP	CAA	CITEC	DoH	QPS	PSBA	QSS	Total
ICT	●	●	●	●	●	●	●	7
Finance		●		●	●	●	●	5
Procurement	●	●		●		●	●	5
Human resources, including payroll		●		●	●		●	4
Asset management		●		●		●	●	4
Internal audit	●	●						2
Fleet management	●					●		2

Note: DoH—Department of Health; QPS—Queensland Parliamentary Service; PSBA—Public Safety Business Agency.
Note: This table includes providers listed in Figure B *Examples of shared corporate service providers* of this report.

Source: Queensland Audit Office.

Understanding cost

Queensland's shared corporate service providers are funded through appropriation and grants, cost-recovery, or hybrid models. Some (but not all) shared services are charged under a fee-for-service model. It was not evident in any cost-recovery pricing process we audited that providers fully understand their costs per service, account for advantages/disadvantages of public ownership (competitive neutrality) appropriately, and/or disclose this transparently as part of their pricing or funding strategy.

For significant business activities and commercialised business units of government departments, Queensland's *Full Cost Pricing Policy* (the policy) applies. It defines costing as a process which:

> involves determining the value of resources consumed in the production of goods or the provision of services. The role of costing is to act as a benchmark against which pricing and production decisions can be made.

Although the policy supports cost adjustment for competitive neutrality, we did not see the audited providers applying this.

The policy gives examples of benefits of public ownership, for example, the lack of tendering costs for government services. Disadvantages could include the:

- inflexibility of public sector requirements in respect of employment conditions and security of tenure
- requirement to provide services in areas where it may not be economic to do so
- costs of service in government, like machinery of government projects or parliamentary obligations of lead agencies (potentially subsumed in corporate overheads).

QSS costs

In the case of QSS, the cost of delivering services is separated from the cost of technology which results in a disclosure gap between the full cost per service and the full price per service. QSS does not track the full cost of customer service, processing, and technology for each service it provides, because its pricing model does not require it to do so. This results in poor understanding of how the full cost per service is reacting to (benefiting from) technology improvements. Given QSS adopts a cost-recovery pricing approach, an incomplete understanding of costs per service could mean they don't have enough revenue to meet costs. This is further discussed later in this chapter in a section called *Service Prices.*

QSS bases the exit fees it charges to customers leaving its services on the assumption that it will have efficiently divested itself of the associated resource commitments (costs) within one to two years. However, as discussed in Case study 2 in Chapter 2, this has not occurred in practice, leaving QSS with residual costs which need to be paid by it or its remaining customers (also referred to as stranded costs).

A July 2017 review of QSS's cost and price methodologies found that it has limited scope to reduce its accommodation costs. This is because the legacy locations (including seven regional locations) it maintains give it an accommodation cost close to the equivalent of A-grade commercial offices in Brisbane CBD. Having offices in multiple geographic locations adds to the cost of QSS doing business, but maintaining these offices is consistent with the Queensland Government's commitment to regional and rural employment.

Another cost that QSS has limited scope to reduce is the corporate services overheads it is allocated by its lead agency. QSS includes this in its service prices to customers.

CAA costs

The CAA uses cost drivers to understand its volume of work but doesn't necessarily use this information to provide a published unit price for each service, except for payroll and consulting services. It doesn't use a formal framework to test the appropriateness of cost drivers or its fee/funding structure.

The CAA allocates its internal overhead costs to its services. While it is not currently subject to a corporate services overhead from its lead agency, should one be allocated, the CAA will add that additional layer of overhead into its service prices. As with QSS, this will directly affect its customers.

The CAA includes the cost of its technology solutions in its pricing for customers by allocating the cost directly to the service that uses it. This helps to develop full understanding of cost per unit of service.

BCP costs

The BCP's shared services are all funded entirely by appropriation, apart from its ICT service, which is a hybrid model of appropriation and cost-recovery. We were told that when the BCP was originally set up, it was decided that each department providing a shared service would be given the staff and appropriation funding needed for that service. While this originally included ICT services, the BCP decided it would provide service on a user-pays model, with only its management salaries coming from appropriation.

This funding model for the BCP's shared services is still in place today. The BCP has no documented strategy explaining the funding allocation for its shared services and has not collectively reviewed the funding allocation to all services since its inception.

Case study 5 gives an example of where the BCP reviewed one of its cooperative services to determine if a different funding model was appropriate.

Case study 5

Ministerial and executive correspondence system (MECS)
The BCP has reported achieving savings of $3 million over three years through implementing MECS. The savings have come from reductions in support costs and licence fees, which equate to over $1 million per annum. In 2017, the then Department of Environment and Heritage Protection (DEHP—now the Department of Environment and Science (DES)) completed a review of MECS support costs (including salaries of MECS support staff, licence costs, and ICT support) which total $533 553 for 2017–18. This is because it believed it was supplementing the service by absorbing increased licensing costs. DEHP intended to engage the BCP Board in a discussion about better distributing MECS costs. It developed four options for assigning MECS support costs, including details of the contribution of the departments under each model, with a user pays model the preferred option of DEHP. However, the BCP Board was not able to consider the review before the government entered caretaker mode following the announcement of the 2017 election. DES has told us it will conduct another review of the MECS to take account of the new BCP arrangements (since the December 2017 machinery of government changes).

Source: Queensland Audit Office.

Delivering on time

Timeliness measures can give early warning of issues with servicing customer demand. All providers we audited have timeliness measures in place for at least some of their services. The use of workflow technology (where tasks are automatically passed between users for action) has improved QSS's and the CAA's ability to monitor and track the timeliness of allocated work (since 2015 and 2016 respectively). They can monitor delays in service and either reallocate resources or manage customers' expectations. Not all services have a timeliness measure and not all providers set a target for achieving timely service delivery within service level agreements.

At an overall level, providers generally deliver services in a timely fashion. For example, in 2016–17, QSS reported delivering 89.2 per cent (95 per cent target) and 99.8 per cent (97 per cent target) of finance and human resource services respectively within the service standard (usually three days).

CAA reports each quarter to individual customers on its delivery of finance services within its service standard of three days. For its two biggest customers, this has ranged between 80 and 100 per cent over the past two years.

When there have been delays, there have been various causes, including:

- in QSS, finance services experienced delays when new internal controls introduced in mid-2016 resulted in more work needed to complete the service
- in most providers, seasonal increases in volumes (such as accounts that need to be paid prior to the end of financial year) mean service times may increase
- in smaller providers like CAA, a lack of bandwidth can also lead to issues with delivering on time.

The ICT services area of the BCP provides a good example of how timeliness of a service can be measured and reported to provide management and customers with valuable information about service performance.

Its customers receive a quarterly report that summarises the last three months' actual performance compared to target key performance indicators (KPI). Figure 3B provides examples of some measures monitored by the BCP's ICT services area and reported to customers.

Figure 3B
Example of BCP's ICT performance reporting for a customer, September 2017

Service element	KPI description	Target	Jul 2017	Aug 2017	Sept 2017
Service desk	Phone calls—Avg time to answer	less than 5 min	8 sec	8 sec	9 sec
Availability	Network	more than 99%	99.7%	99.5%	99.9%
	Server	more than 99%	100%	100%	100%

Source: Queensland Audit Office from BCP–DNRM Partnership Delivery Report September 2017.

Measuring quality

The quality of corporate services is measured by accuracy and the effectiveness of the control environment (the structures, policies, processes, attitudes, and values that influence daily operations). As the Queensland Audit Office conducts annual reviews of internal controls, this audit did not re-examine it. However, we observed during the audit that the quality of the end-to-end (from customer initiation to process completion) delivery of accounts payable was influenced by the quality of work the customer contributes to the process. When customers provide poor quality inputs to providers for processing, the efficiency of service is affected. Both QSS and the CAA are able to measure the rework needed as a result.

QSS continuously improves its internal controls. For example, it recently introduced an automated process to detect potential duplicate payments. End-to-end process improvement is, however, an emerging practice. One customer shared how their internal audit review of an end-to-end accounts payable process identified improvements in QSS and its own practices.

In the past, there was little evidence of service quality measurement within the BCP. By design, the BCP Board was the forum for discussing services across the partnership. Recently, the board agreed to make clearer how the BCP delivers cooperative (shared) services and has started reviews of each service. Each review will include an assessment of whether the service is operating efficiently, effectively, and economically.

Managing risk

While we found that shared service providers are actively managing their operational risks, such as system failure or compliance with privacy policies, not all show strong strategic risk management. If providers do not identify existing or emerging strategic risks, they are less able to deal with the issues in a timely and appropriate way. For example, QSS's risk register does not identify the risk of customer departures affecting remaining customers or of automation affecting future workforce requirements. QSS's risks are referred to its lead agency's audit and risk committee.

CAA has a more up-to-date and complete view of strategic risks on its risk register, which it manages through its own audit and risk committee. The BCP Board has a broad role to champion risk and governance across all agencies; however, each BCP provider manages risks through its own audit and risk governance process.

Delivering cost-effective services

We found examples of services funded through appropriation that demonstrated the shared service providers can deliver more cost-effectively than individual customers could alone. For example, the BCP's accommodation services are provided by the Department of Natural Resources, Mines and Energy to all partner agencies. As a result of the centralised service delivery model, the BCP agencies initially saved $24.6 million in appropriated funding over four years from co-locating across the state.

The rationale for the BCP operating model is not documented, but the customers we interviewed value each of the cooperative services it provides. For example, there is consensus that the critical mass created by centralising the legal services resources is of value. From a people perspective, there is opportunity for diversity of work and career pathways that may otherwise not be possible in a small legal services unit within one entity. From a content perspective, the customer departments are sometimes involved in similar matters, so the collective experience and networks of the legal services group is more effective than if managed separately.

We have already discussed areas where the CAA, a provider funded almost entirely through fee for service, has been able to deliver more output for a similar cost base (see Figure 2A). This is true also of QSS, which has been able to allocate less resources to service accounts payable customers over time (see Case study 4).

But it is not clear what level of efficiency providers should be trying to achieve. While the providers' strategies often include reducing the cost of services as a goal, no defined rate of return (or expected efficiencies) has been explicitly set. Providers need to be able to demonstrate the impact of their service, technology, and workforce strategies on the cost of doing business.

Service prices

Just as we found that each provider we audited had a different approach to costing, we also saw different approaches for cost-based pricing.

Queensland's *Full Cost Pricing Policy* defines pricing as:

> a process of determining a figure at which products or services will be exchanged in the marketplace. While cost is an important consideration in pricing, optimal pricing policies will also fully reflect additional market and competitive considerations, as well as the need to achieve a rate of return on investments.

There is a clear link between shared services' economies of scale and the unit cost of a service. It is not necessarily as easy to link the price of a service to economies of scale. Unit cost does not always equal price per unit. This is because public sector providers manage the delivery of a full suite of services and may need to cross-subsidise services through their pricing model to ensure the provider remains sustainable overall. Whether a customer benefits from economies of scale depends on the mix, volume of services it consumes, and the price its provider sets for each service.

Case study 6 gives an example of this policy in practice, demonstrating the value of having a full understanding of cost (and resource consumption) when setting any pricing strategy.

Case study 6

QSS Aurion payroll services

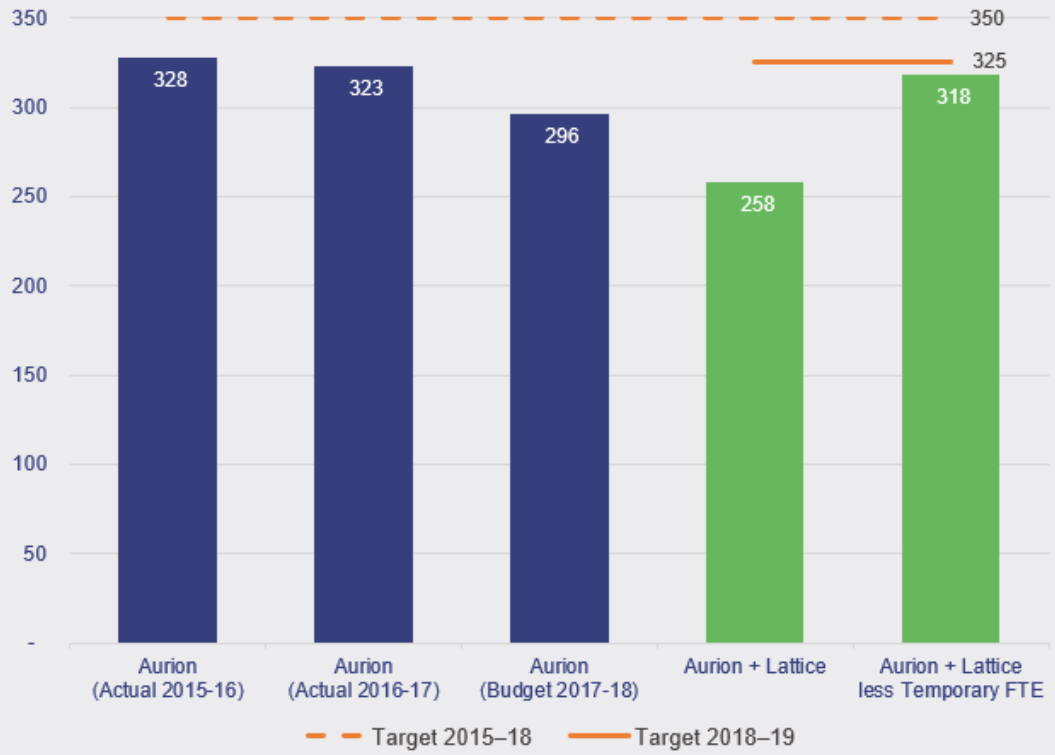
Eighty-seven per cent of QSS's customers have enabled employee self-service for payroll processing in Aurion. QSS has recently introduced a change to payroll pricing in response to analysis showing that, of the total pays processed, 38 per cent were not actively using the available functionality.

The pricing strategy recognised that it is less resource-intensive to process a pay when the shared service provider does not need to manually enter data like timesheets, leave, or meal allowances.

The pricing change resulted in a budgeted $2.3 million surplus for the Aurion payroll service in 2018/19 *if* no customer behaviours were to change. However, given the aim of the price change was to encourage a switch to the employee self-service approach, the impact has the potential to result in a $3.9 million revenue shortfall (that is, a decrease in customer fee income for QSS) should the cost to service this volume also not be reduced.

This shortfall could be amplified by up to $1 million when the two remaining customers using the heavily manual Lattice payroll system move to Aurion in November 2018 and November 2019 respectively. At that time, the unit price per standard pay will drop by $10 with the move from Lattice.

We analysed the impact of planned migrations from Lattice to the Aurion platform against the revised efficiency target of 325 pays processed per full-time equivalent staff member (FTE) per fortnight set by QSS in its 2018–19 Service Delivery Statement (SDS). The previous target was higher, at 350 pays processed per FTE per fortnight.



There is potentially an excess 47 FTE (out of a total of 230 FTE in QSS's payroll function) servicing the main payroll function should Lattice be decommissioned and performance meet the 2018–19 target standard. If all temporary workers allocated to that service were released there would be negligible contingent workforce available to manage workload changes into the future.

Source: Queensland Audit Office.

The impact of this pricing strategy will be positive for employee self-service-enabled agencies, but QSS must consider several factors as a result, including:

- *stranded costs:* Unless workforce strategies and funding approaches are reconsidered, customers will continue to pay for the surplus FTE created through automation within the current cost-recovery pricing approach. The next most significant automation after employee self-service is robotic process automation (which is software that imitates and replaces repeatable steps people do manually)
- *total provider level:* Surplus FTE created from efficiencies in other services (like accounts payable) have in the past been moved into QSS's payroll service because of the high volume of manual processing but, if payroll is running more efficiently, this will now not be an option. The SDS efficiency target is only covering one payroll system (the major one, Aurion) which means that the efficiency of service delivery using other systems is not being monitored transparently
- *target setting:* If automation drives greater productivity, QSS could set its efficiency targets higher. QSS had to lower its SDS target to 325 pays processed per FTE per fortnight given project work to decommission legacy systems required an increased workforce to complete. If the old target of 350 pays processed per FTE per fortnight were in place, the surplus FTE result in Case study 6 would be 60 (or 17, once the temporary workforce were released). However, using a target of 433 pays per FTE (which was the median benchmark from the last major benchmarking review that QSS participated in), the surplus would be 93 FTE (or 50, after the release of the temporary workforce)
- *workflow management:* Electronic automation allows activities to be located around the state. Decisions need to be made about how regional workforces should be best utilised in the more automated future.

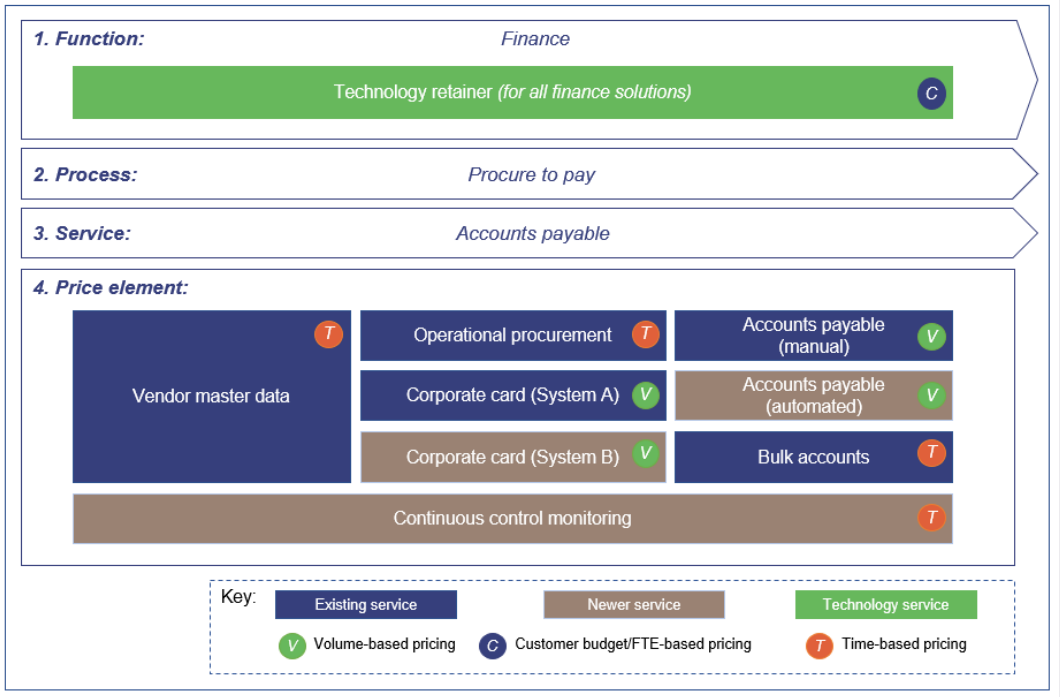
This demonstrates that, while price settings are reviewed each year, the full pricing strategy of a shared service provider needs to be reviewed holistically at regular intervals. The *Full Cost Pricing Policy* says this should be done every five years. If material changes occur to the operating model, this could be done more frequently.

The final example (Case study 7) shows how price settings have evolved over time. Even with strong intentions to be transparent, the big picture on whether a service is becoming more effective can be lost.

Case study 7

Pricing settings over time

QSS delivers accounts payable services to 24 customer agencies. Over time, it has developed its service delivery through such improvements as new systems, more automated processing, or even by improving internal controls. When a service evolves, QSS uses the annual price review process to update the price settings for each of the related price elements within that service. This includes creating new price elements with the approval of its executive leadership team. Each price element is chosen based on its transparency and also on whether the data is readily available to measure the driver of price.



QSS also isolates the cost of technology from the service delivery cost, which is charged using another price driver.

Within this service, the recent trend of different price elements has been changing over time, but not consistently. Automated accounts payable has come down from $9.40 to $4.50 per transaction. Hourly rate services have generally gone up from $90 to $110 per hour. Technology retainer costs have been stable. There is no tracking of overall cost to provide particular services.

Source: Queensland Audit Office.

Detailed service level price information is valuable when it is linked to driving customer behaviours. It is then clear to each customer agency where its actions have contributed to making real savings. For example, eForms (automated accounts payable forms that have replaced manual or paper forms) have saved customers over $5.7 million collectively since they were introduced. But providers must still monitor their overall cost per service to track whether their continuous improvement activities and pricing strategies are increasing efficiency over time. This will become more important as the larger proportion of cost comes from technology because less manual resource is required overall.

There are at least two levels at which the decisions about investment and pricing should be made: the service level and the provider level. Each decision needs to demonstrate the balance between efficiency, sustainability, and transparency.

Then, the decision must be documented in a pricing strategy to inform customers about the intent and impact of pricing decisions. This would allow the consequences of provider pricing decisions to be managed with Treasury during customer agency budgeting processes. The lack of a transparent pricing strategy hinders this process.

Continuous improvement

Investing in new technology

We have already mentioned some of the recent continuous improvement initiatives that have been driven by the shared service providers we audited. The most visible of these have come through simplifying technology, including but not limited to:

- a workflow tool that streamlines data entry and approvals for corporate cards—implemented by both QSS and the CAA
- employee self-service functionality, which allows customers to maintain payroll data like leave, overtime, and higher duties—implemented by QSS and the CAA
- a workflow tool that utilised Optical Character Recognition (OCR) to automate processing of accounts payable—implemented by the CAA
- eForms functionality, which supports more automated processing of accounts payable—implemented by QSS.

Plans for continuous improvement need to be very mindful of key strategic milestones on the horizon. Our interaction with customers during the audit revealed limited awareness of service providers' timeframes or priorities of investment decisions regarding core systems.

These timeframes allow providers to identify windows of time for process improvement, and balance that against more wholesale change that might come with system upgrade or replacement. Of particular interest are significant milestones that should inform the review of core systems, shown in Figure 3C.

Figure 3C
Relevant milestones for major system transformation

System (version)	Contract expiry	Current version support expiry
SAP ECC6	2020	2025
Aurion ACE (11)	2019	2020

Source: Queensland Audit Office.

Given the last major systems replacement programs were multi-year programs, and the requirements for core systems may evolve in line with the *DIGITAL1st strategy* (a Queensland Government commitment to the effective upgrade of core systems and infrastructure), the timeframes and program planning will need to be closely monitored.

Planning innovations

Of the providers we audited, QSS is taking the most well-considered steps towards innovation. With its system consolidation and modernisation largely complete, QSS is now working to optimise and transform its services. Creating a way to test and learn before committing to change is part of that process and is key to implementing an innovation culture.

For each of its six foundation strategies, QSS will perform one or more discrete exercises (known as proofs of concept) to test the appropriateness of the strategy, its possible benefits and to find the best approach, tools, or systems to deliver the desired outcomes. Having an iterative process of testing and learning will help QSS choose and plan the right projects and more confidently quantify the benefits they will deliver.

The six foundation strategies are:

- integration
- identity and access management
- customer experience
- business intelligence and analytics
- service management and business process management, and
- data management.

Each of these strategies will inform the future improvement and change programs managed under QSS's project governance framework. Three functional roadmaps will be established to manage change to finance, human resources and enterprise-wide practices. They will be monitored by the Portfolio and Investment Review Sub-Committee, which is a sub-committee of QSS's executive management group. (It is responsible for prioritising business and ICT investment opportunities, and for assessing ICT project requests and ensuring benefits are realised.) QSS is actively pursuing innovations (like robotic process automation) that are fundamentally changing shared corporate service delivery around the world.

We observed that customers—of all providers we audited—are not well informed about the future work programs but are eager to be involved in more holistic planning with their providers.

Sharing learnings

We found there is no forum for Queensland Government shared corporate service providers to specifically discuss shared services strategy, lessons learned, performance (including efficiencies achieved), priorities for investment, and other relevant issues.

There is some formal interaction between shared service providers. For example, QSS is represented on Queensland Health's payroll planning group. Informally, established networks within government allow some transfer of relevant knowledge from one provider to another. But there is room to improve collaboration across providers, especially when they are delivering the same or similar services.

A lack of clarity about the type and range of services and technology used (or planned) across shared service providers means there is a risk of missed opportunities to learn from other agencies. For example, the lessons and key program documentation of the previous implementations of SAP S/4HANA could provide value to agencies. When the time comes for QSS to plan for the future beyond its current finance system (SAP ECC6.3) those agencies that have taken that path already should be instrumental in avoiding mistakes or replicating successes of the past.

Appendices

A. Full responses from agencies

As mandated in s.64 of the *Auditor-General Act 2009*, the Queensland Audit Office gave a copy of this report with a request for comments to:

- Department of Agriculture and Fisheries
- Department of Communities, Disability Services and Seniors
- Department of Environment and Science
- Department of Housing and Public Works
- Department of Innovation, Tourism Industry Development and the Commonwealth Games
- Department of Natural Resources, Mines and Energy
- Department of Transport and Main Roads
- Office of the Health Ombudsman
- Queensland Treasury
- State Library of Queensland
- TAFE Queensland.

Given the whole-of-government nature of the recommendations in this report, we also gave a copy of this report with a request for comments to:

- Department of the Premier and Cabinet
- Public Service Commission.

The heads of these agencies are responsible for the accuracy, fairness and balance of their comments.

This appendix contains their responses.

Comments received from Director-General, Department of the Premier and Cabinet

Queensland Government

Department of the
Premier and Cabinet

For reply please quote: *CG/JB – TF/18/10606 – DOC/18/141913*
Your reference: *9169P*

17 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
qao@qao.qld.gov.au

Dear Auditor-General

Thank you for your letter of 24 August 2018 concerning the Queensland Audit Office performance audit on delivering shared services in Queensland and for providing the proposed report for my consideration and comment.

I note your conclusion that there is significant benefit to be realised from the shared corporate services models that exist across the Queensland Government, and further work is required to harness the benefits and enhance customer confidence through a stronger whole-of-Government focus.

I support the recommendations made and will consider the proposal on a cross-government governance arrangement once it is available from the Department of Housing and Public Works. I note the only recommendation for the Department of the Premier and Cabinet (DPC) is as a customer of shared services, and I will ensure DPC continues to collaborate and communicate effectively with our provider. I enclose the agreed action plan as requested.

I would like to thank you and your officers for consulting with relevant agencies across government to complete this audit.

Yours sincerely

Dave Stewart
Director-General

***Encl**

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Response to recommendations

Queensland Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works		N/A	
1. leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.			
2. leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland			
3. works **with** Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers			
4. coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies			
Public Service Commission		N/A	
5. works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation			
All shared corporate service providers		N/A	
6. for each service ii provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.			
7. maintains a well-defined catalogue of its services aligned to the Queensland Governmetfs *Business Service Classification Framework*			
8. establishes a transparent pricing strategy, if funded through fee-for-service			
9. formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria			
10. works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business , technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government **level**.			

Queensland Audit Office

Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	Agree	Qtr 2 2019	DPC will continue to work with Queensland Shared Services to drive efficiencies and effectiveness.

2

Comments received from Acting Commission Chief Executive, Public Service Commission

Queensland Government

Public Service Commission

Please quote: **TF/18/10606**

14 September 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter dated 24 August 2018 regarding the Queensland Audit Office (QAO) performance audit report to the Queensland Parliament, *Delivering shared corporate services in Queensland*.

The performance audit report contributes to our understanding of the challenges of delivering shared corporate services, and the potential impact of technology on the workforce.

The Public Service Commission (the Commission) supports the audit findings and recommendations, and accepts Recommendation 5, which commits the Commission to collaborating with agencies to plan, support and manage corporate services employees affected by automation.

The Commission takes a whole-of-government approach to planning for workforce change, as evidenced by its report, *10 Year Human Capital Outlook: A different workforce future by design* and *3 Year Strategic Roadmap*. There are also well-established policies and processes in place to manage the impact of workplace change, including the Government's employment security policy and *Directive 17/16 Supporting employees affected by workplace change*.

Nonetheless, the Commission acknowledges that there is more that can be done to plan, support and manage corporate services employees affected by automation and will act swiftly on Recommendation 5 as set out in the attachment to this letter.

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Should you or your officers wish to discuss any aspect of my response further, please contact Megan Barry, Acting Deputy Commissioner, via e mail megan.barry@psc.qld.gov.au or telephone (07) 3003 2829.

Yours sincerely

Sonia Cooper
Acting Commission Chief Executive

Enclosed: Response to recommendation 5

Page 2 of 2

Response to recommendations

Queensland Audit Office

Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works				
1.	leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.	<Agree/ Disagree>	<QQ YYYY>	<include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.
2.	leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland			
3.	works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers			
4.	coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies			
Public Service Commission				
5.	works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation	Agree	Immediate and ongoing	The Public Service Commission will work with all government agencies, including through the Strategic Workforce Council, to effectively collaborate to plan, support and manage those corporate services employees affected by automation.
All shared corporate service providers				
6.	for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.			
7.	maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*			
8.	establishes a transparent pricing strategy, if funded through fee-for-service			
9.	formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria			
10.	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.			

1

Queensland
Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	<Agree/ Disagree>	<QQ YYYY>	<include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.

2

Comments received from Under Treasurer, Queensland Treasury

Queensland Government

Queensland Treasury

Our Ref: 03880-2018
Your Ref: 9169P

RECEIVED
14 SEP 2018
QUEENSLAND AUDIT OFFICE

11 SEP 2018

Mr Brendan Worrall
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Brendan

Dear ~~Mr Worrall~~

We thank you for sharing the draft report on the performance audit on delivering shared services in Queensland, and for the opportunity to discuss the report in more detail with Ms Kate Gannon and colleagues on 6 August 2018.

Queensland Treasury welcomes the findings of the report and will work with the relevant agencies to progress the recommendations.

Yours sincerely

Jim Murphy
Under Treasurer

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Queensland 4001 Australia
Telephone +61 7 3035 1933
Website www.treasury.qld.gov.au
ABN 90 856 020 239

Comments received from Director-General, Department of Housing and Public Works

Queensland Government

Department of
Housing and Public Works

Our Ref: HPW 02260 18
Your Ref: 9169 P

14 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO BOX 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter of 24 August 2018 regarding the Queensland Audit Office (QAO) Report to the Queensland Parliament regarding the Performance Audit on delivering shared services in Queensland.

I welcome the report and the focus it brings on the impacts of technology to shared service models, and the benefits, opportunities and challenges of shared service arrangements.

We appreciate the collaborative approach used by QAO officers throughout the development of the report and provide comments to the recommendations in Attachment A for your consideration.

The Department of Housing and Public Works supports the principles and intent of recommendations 1 – 4, to strengthen the focus of shared corporate services at the whole-of-government level. The department will develop a governance proposal for consideration by the CEO Leadership Board. Due to the complexity and variation of shared corporate services across government, the department proposes to undertake a staged approach to firstly consider the implications of the recommendations as they apply to the shared corporate services operating within the department.

The department will work collaboratively with the Public Service Commission in support of recommendation 5.

The department accepts recommendations 6 – 10 and has processes in place for maturing standards, agreements and strategies for the shared corporate services operating within the Department of Housing and Public Works.

If you require any more information or help with this matter, Mr Andrew Spina, Deputy Director-General, Digital Technology and Services can be contacted on (07) 3719 7733.

Yours sincerely

Liza Carroll

Liza Carroll
Director-General

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Response to recommendations

Queensland Audit Office

Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works				
1.	leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.	Agree	Qtr 1 2019	The department supports the principles and intent of this recommendation. HPW will develop a governance proposal for consideration by the CEO Leadership Board.
2.	leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland	Agree	Qtr 2 2019	The department supports the principles and intent of this recommendation. HPW proposes to undertake a staged approach to firstly consider the implications of the recommendations as they apply to the shared corporate services operating within my department.
3.	works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers	Agree	Qtr 2 2019	The department supports the principles and intent of this recommendation and will work with Queensland Treasury on this. HPW proposes to undertake a staged approach to firstly consider the implications of the recommendations as they apply to the shared corporate services operating within my department.
4.	coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies	Agree	Qtr 4 2019	The department supports the principles and intent of this recommendation. HPW proposes to undertake a staged approach to firstly consider the implications of the recommendations as they apply to the shared corporate services operating within my department.
Public Service Commission				
5.	works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation			HPW supports this recommendation and will work closely with the Public Service Commission.

1

Queensland Audit Office

Better public services

All shared corporate service providers

6.	for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree	Qtr 2 2019	HPW supports this recommendation and has processes in place for maturing standards, agréements and strategies for the shared corporate services operating within our department.
7.	maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree	Qtr 2 2019	HPW supports this recommendation and has processes in place for maturing standards, agreements and strategies for the shared corporate services operating within our department.
8.	establishes a transparent pricing strategy, if funded through fee-for-service	Agree	Qtr 2 2019	HPW supports this recommendation and has processes in place for maturing standards, agreements and strategies for the shared corporate services operating within our department.
9.	formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree	Qtr 2 2019	HPW supports this recommendation and has processes in place for maturing standards, agreements and strategies for the shared corporate services operating within our department.
10.	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree	Ongoing	HPW supports this recommendation.

All customers of shared corporate service providers

11.	We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	Agree	Ongoing	HPW supports this recommendation.

2

Comments received from Director-General, Department of Agriculture and Fisheries

Queensland Government

Department of
Agriculture and Fisheries

Our ref: CTS 25023/18

18 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Brendan

Dear ~~Mr Worrall~~

Further to my letter of 7 September 2018 regarding the Queensland Audit Office's performance audit on delivery of shared services in Queensland, I attach a table indicating my agreement with relevant recommendations and timeframes for implementation.

If you require any further information, please contact Ms Sinead McCarthy, A/Deputy Director-General Corporate on telephone 3096 6111 or by email at sinead.mccarthy@daf.qld.gov.au.

Yours sincerely

Elizabeth Woods

Dr Elizabeth Woods
Director-General
Department of Agriculture and Fisheries

Att

1 William Street Brisbane
GPO Box 46 Brisbane
Queensland 4001 Australia
Business Centre 13 25 23
Website www.daf.qld.gov.au
ABN 66 934 348 189

Queensland
Audit Office
Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
	All shared corporate service providers			
1.	for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree	Q2 2019/20	
2.	maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree	Q2 2019/20	
3.	establishes a transparent pricing strategy, if funded through fee-for-service	Agree	Q2 2019/20	
4.	formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree	Q2 2019/20	
5.	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree	Q2 2019/20	
	All customers of shared corporate service providers			
6.	We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	Agree	Q2 2019/20	

1

Comments received from Director-General, Department of Environment and Science

Queensland Government

Department of
Environment and Science

Our Ref: CTS 24985/18
Your Ref: 9169P

10 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear ~~Mr Worrall~~ Brendan

Thank you for your letter of 24 August 2018 regarding the performance audit on delivering shared services in Queensland. I appreciate the opportunity to provide final feedback on the report to Parliament.

I note that the Queensland Audit Office has accepted previous comments provided in the preliminary report on 17 August 2018, and these have been incorporated in the final report. Subsequently, I can advise that the Department of Environment and Science (the department) is supportive of the report and agrees with the recommendations provided.

As requested, attached is the completed table listing the recommendations of the report.

Should your officers require any further information, they may contact Mr Rob Lawrence, Deputy Director-General, Corporate Services of the department by email at rob.lawrence@des.qld.gov.au or on telephone (07) 3339 5800.

Yours sincerely

Jamie Merrick
Director-General
7/9/18

Encl. (1)

1 William Street Brisbane
GPO Box 2454 Brisbane
Queensland 4001 Australia
Telephone + 61 7 3338 9304
Website www.des.qld.gov.au
ABN 46 640 294 485

Response to recommendations

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works			
1. leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.		<QQ YYYY>	<include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.
2. leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland			
3. works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers			
4. coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies			
Public Service Commission			
5. works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation.			
All shared corporate service providers			
6. for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree	Q2 2019-20	**This will be provided through detailed reporting.**
7. maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree	Q2 2019-20	**CAA will develop DES component of BCP.**
8. establishes a transparent pricing strategy, if funded through fee-for-service a formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree	Q2 2019-20	**CAA will ensure compliance.**
10. works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree	Q2 2019-20	**The department will work with QSS.**

All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • Providing shared service providers with quality inputs to their processes to aid efficient processing • Considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only a the individual customer level • Continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • Effectively monitoring performance of shared service providers in accordance with shared service level agreements • Continuing to collaborate on improvement initiatives.	Agree	Q2 2019-20	**CAA & BCP will work with customers.**

Comments received from Director-General, Department of Natural Resources, Mines and Energy

Ref CTS 25681/18
Your Ref 9169P

Queensland Government

Department of Natural Resources, Mines and Energy

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter of 24 August 2018 regarding the Queensland Audit Office's performance audit on delivery of shared services in Queensland. I appreciate the opportunity to provide final feedback on the report to Parliament.

I note that the Queensland Audit Office has accepted previous comments provided in the preliminary report on 17 August 2018, and these have been incorporated in the final report. Subsequently, I can advise that the Department of Natural Resources, Mines and Energy (the department) is supportive of the report and agrees with the recommendations provided.

As requested, attached is the completed table listing the recommendations of the report.

Should you have any further enquiries, please contact Ms Brenda Parker, Deputy Director-General, Business and Corporate Partnership, Department of Natural Resources, Mines and Energy by email brenda.parker@dnrme.qld.gov.au or on telephone 3199 8195.

Yours sincerely,

James Purtill
Deputy Director-General

1 William Street Brisbane
PO Box 15216 City East
Queensland 4002 Australia
Telephone +61 7 3199 8287
www.dnrme.qld.gov.au
ABN 59 020 847 551

Response to recommendations

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works			
1. leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.		<QQ YYYY>	<include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.
2. leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland			
3. works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers			
4. coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies			
Public Service Commission			
5. works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation.			
All shared corporate service providers			
6. for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree	Q2 2019-20	**This will be provided through detailed reporting.**
7. maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree	Q2 2019-20	**BCP will develop in accordance with framework.**
8. establishes a transparent pricing strategy, if funded through fee-for-service a formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree	Q2 2019-20	**BCP will ensure compliance.**
10. works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree	Q2 2019-20	**The department will work with QSS.**

Comments received from Director-General, Department of Transport and Main Roads

Queensland Government

Office of the
Director-General

Department of
Transport and Main Roads

Our ref: DG35702

Your ref: 9169P

14 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter of 24 August 2018 about the performance audit on delivering shared and corporate services in Queensland and inviting the Department of Transport and Main Roads (TMR) to provide comment on the proposed draft report. I also note your response in consideration of TMR's previous feedback on the preliminary draft.

TMR looks forward to working with the Department of Housing and Public Works on a proposal for government that will shape the future direction and performance of the Queensland Government's shared corporate services. As requested, I have enclosed TMR's response to the recommendation contained within the report that is relevant to TMR as a customer of shared corporate service providers.

I am also pleased to advise that TMR and Queensland Shared Services (QSS) are progressing a number of initiatives to improve the customer experience and the efficiency and effectiveness of shared services currently delivered to TMR by QSS.

Some of these initiatives include:

- **Source to pay** – reviewing the purchasing and automation of payment processes and moving away from manual processes to an automated and integrated solution
- **Payroll processing** – TMR and QSS are jointly sponsoring a review of the payroll function to identify opportunities to improve the payroll process, with a focus on improving value for money and the customer experience
- **Technology charges** – improving the alignment of service delivery, expectations and value for money for technology services provided by QSS.

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GPO Box 1549 Brisbane
Queensland 4001 Australia

Telephone +61 7 3066 7316
Facsimile +61 7 3066 7122
Website www.tmr.qld.gov.au
ABN 39 407 690 291

If you require further information about TMR's response to the proposed performance audit report on delivering shared corporate services, I encourage you to contact Mr Nick Shaw, Chief Finance Officer, Corporate Division by email at nick.t.shaw@tmr.qld.gov.au or by telephone on 3066 6083.

I trust this information is of assistance.

Yours sincerely

Neil Scales

Neil Scales
Director-General
Department of Transport and Main Roads

Enc (1)

Response to recommendations

Department of Transport and Main Roads – Response to recommendation 11

Recommendation	Agree / Disagree	Timeframe for implementation	Additional comments
All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by:			
• providing shared service providers with quality inputs to their processes to aid efficient processing	Agree	Ongoing	
• considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level	Agree	Ongoing	
• continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements	Agree	Ongoing	
• effectively monitoring performance of shared service providers in accordance with shared service level agreements	Agree	Ongoing	
• continuing to collaborate on improvement initiatives	Agree	Ongoing	

Comments received from Director-General, Department of Communities, Disability Services and Seniors

Queensland Government

Office of the
Director-General

Department of
Communities, Disability Services and Seniors

Your reference: 9169P
Our reference: COM 05744-2018

10 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

RECEIVED
13 SEP 2018
QUEENSLAND AUDIT OFFICE

Dear Mr Worrall Brendan

Thank you for your letter concerning the Performance audit on delivering shared services in Queensland, which was accompanied by a copy of the proposed report to parliament.

I do not have any additional comments to provide beyond those articulated in my letter of 22 August 2018 following receipt of the preliminary draft report.

As stated in that letter, I support the report recommendations. Therefore, as requested, I have completed the recommendation table confirming my agreement and this is enclosed.

If you require any further information or assistance in relation to this matter, please contact Mr Narinder Singh, Chief Finance Officer, Department of Communities, Disability Services and Seniors on 3224 4446.

Yours sincerely

Clare O'Connor
Director-General

Enc (1)

1 William Street
Brisbane Queensland 4000
GPO Box 806 Brisbane
Queensland 4001 Australia

Response to recommendations

Queensland Audit Office
Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works				
1.	leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.	Agree		
2.	leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland	Agree		
3.	works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers	Agree		
4.	coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies	Agree		
Public Service Commission				
5.	works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation	Agree		
All shared corporate service providers				
6.	for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree		
7.	maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree		
8.	establishes a transparent pricing strategy, if funded through fee-for-service	Agree		
9.	formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree		
10.	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree		

1

Queensland Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	Agree		

Provided by:

Department of Communities, Disability Services and Seniors

2

Comments received from Director-General, Department of Innovation, Tourism Industry Development and the Commonwealth Games

Queensland Government

Department of Innovation, Tourism Industry Development and the Commonwealth Games

Your Ref: 9169P
Our Ref: CTS 24930/18
Contact officer: Mr Steven Kay
Contact phone: (07) 3333 5231

14 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
brendan.worrall@qao.qld.gov.au

Dear Mr Worrall

I refer to your letter of 24 August 2018 extending the Department of Innovation, Tourism Industry Development and the Commonwealth Games (DITID) the opportunity to review and comment on the proposed report to Parliament on 'Delivering shared corporate services in Queensland' (the report).

I note the recommendations presented in the report, and I commit to work with Government in its evaluation of these recommendations.

I note your advice that comments received by your office by 14 September 2018 will form part of the report to Parliament. If your officers require any further information, please have them contact Mr Steven Kay, Director, Accountability and Assurance, Office of the Director-General, DITID, by telephone on (07) 3333 5231 or via email at steven.kay@ditid.qld.gov.au.

Once again, thank you for affording DITID the opportunity to provide comments on the output of the review.

Yours sincerely

Damien Walker
Director-General

Level 37, 1 William Street
BRISBANE QLD 4000
PO Box 15168
CITY EAST QLD 4002

Telephone +61 7 3333 5122
Website www.ditid.qld.gov.au
ABN 83 481 966 722

Comments received from Health Ombudsman, Office of the Health Ombudsman

Office of the HEALTH OMBUDSMAN
Listen. Respond. Resolve.

400 George Street, Brisbane
PO Box 13281 George Street Brisbane Qld 4003

www.oho.qld.gov.au
133 OHO (133 646)

Your ref: 9169P - Kate Gannon 3149 6168

14 September 2018

Mr Brendan Worrall
Auditor General
Queensland Audit Office
P O Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Performance audit on delivering shared services in Queensland

Thank you for your letter of 24 August regarding recommendations on the proposed report to parliament on the performance audit on delivering shared services in Queensland.

Please find attached the completed recommendation table for your information.

Thank you for providing the opportunity to comment.

Yours sincerely

Andrew Brown
Health Ombudsman

Response to recommendations

Queensland Audit Office

Better public services

	Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
Department of Housing and Public Works				
1.	leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.	<Agree/ Disagree> Agree	<QQ YYYY>	<include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.
2.	leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland	Agree		
3.	works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers	Agree		
4.	coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies	Agree		
Public Service Commission				
5.	works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation	Agree		
All shared corporate service providers				
6.	for each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree		
7.	maintains a well-defined catalogue of its services aligned to the Queensland Government's *Business Service Classification Framework*	Agree		
8.	establishes a transparent pricing strategy, if funded through fee-for-service	Agree		
9.	formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree		
10.	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree		

1

Queensland
Audit Office
Better public services

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
All customers of shared corporate service providers			
11. We recommend that each customer of a Queensland Government shared corporate service provider contribute to driving the effectiveness and efficiency of shared corporate services within Queensland government by: • providing shared service providers with quality inputs to their processes to aid efficient processing • considering the effect on efficiencies and economies of scale of shared services at a whole-of-government level in any analysis rather than only at the individual customer level • continuing to communicate any proposed changes to demand for services in a timely manner to allow the provider to make appropriate arrangements • effectively monitoring performance of shared service providers in accordance with shared service level agreements • continuing to collaborate on improvement initiatives	<Agree/ Disagree> Agree	<QQ YYYY>	<Include proposed action to implement the recommendation> <If agency does not agree, a brief and clear explanation should be provided>.

2

Comments received from State Librarian and Chief Executive Officer, State Library of Queensland

State Library of Queensland

Office of the State Librarian
t 07 3840 7866
e Vicki.McDonald@slq.qld.gov.au
600/050/005

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for the opportunity to consider and comment on the proposed report to Parliament of the Performance audit on delivering shared services in Queensland.

As specifically requested, we advise our agreement to all suggested recommendations.

CAA's willingness to partner with us, support us and provide very good customer service is highly valued and ensures our continued aim of improved corporate services and efficiency improvements.

State Library continues to value the services provided by CAA and for the agreed services provided, there is still significant benefit from the model.

Should you require further information, please contact Ms Rita McLucas, Executive Director, Corporate Governance and Operations on Tel: 3840 7863 or email: Rita.McLucas@slq.qld.gov.au who will be pleased to assist.

Yours sincerely

Vicki McDonald
State Librarian and Chief Executive Officer

14/09/18

Cultural Centre Stanley Place South Bank
PO Box 3488 South Brisbane Queensland 4101 Australia
t 07 3840 7666 **w** slq.qld.gov.au

Queensland Government

Comments received from Chief Executive Officer, TAFE Queensland

14 SEP 2018

Mr Brendan Worrall
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Worrall

Thank you for your letter dated 24 August 2018 regarding the performance audit on delivery shared services in Queensland and the proposed report to parliament.

I have noted the contents of the report and agree with all the recommendations provided. Please find attached a list of the report's recommendations with the TAFE Queensland response populated.

Thank you for providing TAFE Queensland with the opportunity to submit feedback on this important audit report.

Yours sincerely

M Campbell

Mary Campbell
Chief Executive Officer
TAFE Queensland

Ref: TQ18/50595

A: Level 9, 133 Mary Street
Brisbane Queensland 4000
P: PO Box 16100
City East Queensland 4002
W: tafeqld.edu.au
ABN 72 898 805 093

Response to recommendations

	Recommendation	Agree / Disagree
Department of Housing and Public Works		
1	Leads an initiative to prepare a proposal for government on a cross-government governance arrangement for the direction and performance of the Queensland Government's shared corporate services.	Agree
2	Leads an initiative to prepare a proposal to government to reset the vision, strategy, and principles guiding shared corporate services delivery in Queensland.	Agree
3	Works with Queensland Treasury to propose options for a revenue and investment model for shared corporate service providers and customers.	Agree
4	Coordinates the alignment of the government's technology (digitisation) strategy with shared corporate service providers plans for improvements and people strategies.	Agree
Public Service Commission		
5	Works with all government agencies to ensure they effectively collaborate to plan, support, and manage those corporate services employees affected by automation	Agree
All shared corporate service providers		
6	For each service it provides defines a clear strategy, establishes an understanding of the full cost of service and establishes and monitors standards for volume, quality and time.	Agree
7	Maintains a well-defined catalogue of its services aligned to the Queensland Government's Business Service Classification Framework	Agree
8	Establishes a transparent pricing strategy, if funded through fee-for -service	Agree
9	Formalises agreements with customers to clarify the type and range of services, performance standards, and exit criteria	Agree
10	works with the cross-government governance arrangement for the Queensland Government's shared corporate services to establish 'and maintain business, technology, and people strategies that are aligned to the ongoing success of shared corporate services at the whole-of-government level.	Agree

1 | Page Performance Audit on Delivery Shared Services in Queensland

B. Audit objectives and methods

The objective of the audit was to assess whether the Queensland Government's shared service providers are delivering value for money now and positioned to successfully deliver into the future.

The audit addressed the objective through the sub-objectives and lines of inquiry set out in Figure B1.

Figure B1
Audit scope

Sub-objectives		Lines of inquiry	
1	The shared service providers are appropriately scoped, governed and strategically supported	1.1	Are the governance arrangements for the shared service delivery clear and supporting delivery of the shared service strategies?
		1.2	Is the scope of services meeting customer needs and the whole-of-government objective of economies of scale?
		1.3	Is the shared service delivery able to be measured and monitored, to support transparency and accountability?
2	The shared service providers are efficiently and effectively delivering to meet customer and whole-of-government needs	2.1	Does the shared service provider utilise customer feedback to support improved service delivery?
		2.2	Has process standardisation delivered the expected economies of scale?
		2.3	Is each process effectively measured?
		2.4	Are technology and data management strategies appropriate?
		2.5	Has data and technology standardisation delivered the expected economies of scale?
		2.6	Are there effective training, talent and performance management processes in place?
3	The shared service providers are focussed on continuous improvement and the future needs of their customers	3.1	Is continuous improvement of processes integral to the shared service way of working?
		3.2	Does the shared service provider actively support technological innovations to improve service delivery?
		3.3	Does the shared service provider have a strong customer service delivery culture?
		3.4	Are customers involved in strategic investment decisions of the shared service provider?

Source: Queensland Audit Office.

Entities subject to this audit

The shared service providers subject to this audit are detailed in Figure B2.

Figure B2
Shared service providers in scope

Shared service provider	Lead agency
Queensland Shared Services	Department of Housing and Public Works
Corporate Administration Agency	Department of Environment and Science
Business and Corporate Partnership	Department of Agriculture and Fisheries Department of Environment and Science Department of Natural Resources, Mines and Energy

Source: Queensland Audit Office.

Some entities who are customers of the three shared service providers are also subject to this audit. In selecting customers to include in the audit, we considered:

- the size of each customer, including scope of services consumed
- whether a customer has recently exited or joined the shared service provider
- customers' level of satisfaction with the shared service provider.

Figure B3 lists the customers subject to this audit.

Figure B3
Customer agencies in scope

Customer agency	Shared service provider
Department of Transport and Main Roads	Queensland Shared Services
Queensland Treasury	Queensland Shared Services
Department of Communities, Disability Services and Seniors	Queensland Shared Services
TAFE Queensland	Corporate Administration Agency
State Library of Queensland	Corporate Administration Agency
Office of the Health Ombudsman	Corporate Administration Agency
Department of Innovation, Tourism Industry Development and the Commonwealth Games	Business and Corporate Partnership*

Note: *Where Business and Corporate Partnership provider or customer agencies are also customers of Queensland Shared Services, they were welcome to participate in the customer lines of enquiry as such.

Source: Queensland Audit Office.

Method

We conducted the audit in accordance with the Auditor-General of Queensland Auditing Standards—September 2012, which incorporate the requirements of standards issued by the Australian Auditing and Assurance Standards Board.

The audit included:

- information requests and documentation review
- interviews and on-site visits with shared service providers and customers to identify and validate facts and findings
- analysis of a sample of processes across the end-to-end value chain, and across shared service providers where possible, including a review of roles and responsibilities, and relevant measures of time, quality, and cost
- process workshops between shared service providers and customers to validate facts and findings
- analysis of transactional and operational data and reports
- analysis of customer satisfaction data and surveys.

C. History of shared services in the Queensland Government

The Queensland Government made a significant change for shared services in 2002 when it committed to restructuring the provision of corporate services to take advantage of economies of scale. It began implementing the whole-of-government shared services model in July 2003. Over the next seven years, this was affected by large-scale underestimation of capital expenditure costs and implementation issues resulting from complex industrial agreements. The government also experienced significant issues during the implementation of the whole-of-government finance and human resources solutions, specifically when the health payroll system failures left thousands of workers with inaccurate pay.

Figure C1 shows important milestones that occurred from 2010. These give context to the delivery of shared services in Queensland today.

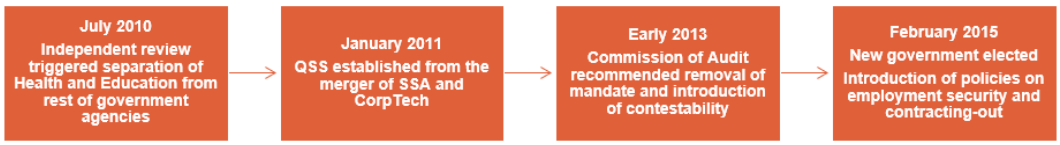
In 2010, the Queensland Government engaged a consultant to review the whole-of-government shared services implementation, which had been in progress since 2003. The review determined:

- service and customer segmentation for major agencies based on their size (that is, ability to support own in-house model)
- system requirements (for example, where significant progress of single agency environments had been made)
- unique business needs (for example, unique and complex payroll requirements).

In addition, a threshold of 20 000 to 50 000 end users was applied to ensure there was adequate volume per provider/cluster.

As a result of the findings of this review, three clusters of agencies were created to manage shared services: Health, Education and rest-of-government. This final cluster was to be serviced by Queensland Shared Services (QSS) which was established as a result of the merger of Shared Services Agency (SSA) and CorpTech in 2011.

Figure C1
Key milestones affecting shared services from 2010 to early 2015



Source: Queensland Audit Office.

The Business and Corporate Partnership (BCP) was established in 2012 from agencies created from the dissolution of the then departments of Employment; Economic Development and Innovation; and Environment and Resource Management.

Its current partner agencies include: Department of Agriculture and Fisheries; Department of Environment and Science; Department of Natural Resources, Mining and Energy; and Department of Department of Innovation, Tourism Industry Development and the Commonwealth Games.

In early 2013, the then government's Commission of Audit inquiry into the Queensland Government's financial position, service delivery, and infrastructure recommended that:

- the government discontinue the mandated use of centralised corporate service functions through QSS
- the government introduce an open, contestable market for the delivery of all corporate services by public or private providers, based on value-for-money considerations
- QSS be empowered to offer services to agencies on a contestable basis in a competitive market environment while it remained viable to do so.

These recommendations were accepted by the sitting government but, while implementation plans were developed, they were never fully implemented.

During this time, the Public Safety Business Agency (PSBA) was created to service the public safety agencies, allowing them to focus on the provision of quality community services.

The shift in policy direction with the new incoming government in 2015 meant a returned commitment to maintaining public sector jobs, and an implied, but not explicit, ruling out of contestability. The government reinstated support for government-owned shared service providers, a visible example being the decision to not sell CITEC, its primary information and communication technology service provider.

Auditor-General reports to parliament

Reports tabled in 2018–19

1. Monitoring and managing ICT projects (Report 1: 2018–19)
   10 July 2018
2. Access to the National Disability Insurance Scheme for people with impaired-decision making capacity (Report 2: 2018–19)
   27 September 2018
3. Delivering shared corporate services in Queensland (Report 3: 2018–19)
   27 September 2018

Audit and report cost

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Performance engagement

This audit has been performed in accordance with ASAE 3500 *Performance Engagements.*

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