

**ACT AUDITOR–GENERAL’S REPORT**

**SHARED SERVICES DELIVERY OF  
HR AND FINANCE SERVICES**

REPORT NO. 1 / 2020

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ISSN 2204-700X (Print)

ISSN 2204-7018 (Online)

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Produced for the ACT Audit Office by Publishing Services,  
Chief Minister, Treasury and Economic Development Directorate,  
ACT Government

Publication No. 200104

ACT Government Homepage address is: <http://www.act.gov.au>

PA 19/02

The Speaker  
ACT Legislative Assembly  
Civic Square, London Circuit  
CANBERRA ACT 2601

Dear Madam Speaker

I am pleased to forward to you a Performance Audit Report titled 'Shared Services delivery of HR and Finance Services' for tabling in the Legislative Assembly pursuant to Subsection 17(5) of the *Auditor-General Act 1996*.

Yours sincerely



Mr Michael Harris  
Auditor-General  
21 February 2020

*The ACT Audit Office acknowledges the Ngunnawal people as traditional custodians of the ACT and pays respect to the elders; past, present and future. The Office acknowledges and respects their continuing culture and the contribution they make to the life of this city and this region.*



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## SUMMARY

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Shared Services is the ACT Government's provider of finance, human resources (HR) and information, communication and technology (ICT) services. It seeks to provide these services to directorates and agencies to allow them to focus on their core activities of policy advice, service delivery and regulation. Shared Services commenced in 2007 with the intention of achieving efficiencies, reducing duplication and enhancing corporate services.

This audit considers the effectiveness of Shared Services' delivery of HR and finance services to ACT Government directorates and agencies.

## Conclusions

### GOVERNANCE ARRANGEMENTS FOR THE DELIVERY OF SERVICES

Governance arrangements for the oversight of Shared Services' delivery of HR and finance services to ACT Government directorates and agencies have not been effective. While a range of governance mechanisms have been put in place over a period of years, these were not consistently applied or effective in their implementation.

A Services Partnership Agreement developed and agreed in October 2013 between Shared Services and the Strategic Board provided a basic framework for the delivery of HR and finance services. It documented governance and accountability arrangements, monitoring and reporting arrangements and processes for the setting and review of pricing. A key feature was that it articulated and documented a service catalogue for all of the shared services, which provided a sound basis on which to understand processes and responsibilities and set service level expectations and prices. The Services Partnership Agreement was discontinued in May 2016 without sufficient explanation, and in its absence there has been no similar mechanism for what is essentially a purchaser-provider relationship between directorates and agencies and Shared Services.

A series of governance and oversight bodies were also established, which were expected to have a key role in the governance and oversight of Shared Services and its delivery of HR and finance services to ACT Government agencies. The Customer Council, which was the main forum for Shared Services' accountability, was not operating effectively as a governance and oversight mechanism since the discontinuation of the Services Partnership Agreement. The Finance Collaboration Forum and HR Collaboration Forum were effective forums for Shared Services and directorates and agencies to discuss service initiatives and issues associated with servicedelivery.

In July 2019 the Quality and Measurement Advisory Committee was established to replace the Customer Council. Arrangements put in place for the establishment and administration of the committee are expected to address shortcomings that were associated with the Customer Council. In its comparatively short period of operation the committee has commenced some positive

initiatives including documenting process maps to assist in identifying roles and responsibilities between Shared Services and directorates and agencies for HR and finance services and reviewing and revising key performance indicators for Shared Services' delivery of services.

### **SERVICE DELIVERY**

Shared Services' performance is primarily reviewed and appraised through the Customer Council's (Quality and Measurement Advisory Committee) consideration and review of key performance indicators, annual customer satisfaction surveys and benchmarking reviews.

Key performance indicators have been documented for the delivery of HR and finance services since the establishment of the Services Partnership Agreement in 2013. The key performance indicators have been changed and amended over time and, since October 2019, have had a greater focus on Shared Services' processes and its performance with respect to timeliness, quality, customer satisfaction and value for money. The revised key performance indicators are expected to provide a greater opportunity for directorates and agencies to obtain assurance of Shared Services' service delivery performance.

The annual customer satisfaction survey provides useful information on Shared Services' performance from the perspective of users. Results from the customer satisfaction survey have been discussed in various governance and oversight forums and are expected to have greater visibility through the recently revised key performance indicators. Recent customer satisfaction surveys have shown mixed results including a continuing decline in satisfaction with HR services (since 2015) and an increase in satisfaction with finance services between 2018 and 2019.

The most recent exercise to benchmark Shared Services' performance, conducted in 2018 and reported in January 2019, does not provide sound and useful information on Shared Services' performance. The methodology to perform the benchmarking exercise did not have sufficient oversight and involvement from directorates and agencies and the relevance of the organisations against which Shared Services was benchmarked was not clear. Many of the measures against which Shared Services is benchmarked are not relevant and the reporting of results does not give an accurate view of its performance. Considerable attention needs to be given towards developing a robust methodology and reporting processes for future benchmarking exercises.

## **Key findings**

### **GOVERNANCE ARRANGEMENTS FOR THE DELIVERY OF SERVICES**

Paragraph

The Services Partnership Agreement, a memorandum of understanding between Shared Services and the ACT Government Strategic Board (representing all directorates), was developed and agreed in October 2013. It was a sound mechanism for documenting the governance and accountability arrangements for human resources and finance service delivery, monitoring and reporting activities, and

2.6

processes for the setting and review of pricing. A key feature of the Services Partnership Agreement was the articulation and documentation of a service catalogue for all of the shared services. The Agreement was an improvement on previous service level agreements that were developed between Shared Services and individual directorates and agencies on an annual basis. A November 2010 post-implementation review of Shared Services noted that these ‘existing [service level agreements] are not generally agreed by agencies, or agreed very late in the budget cycle’.

In May 2016 the Customer Council decided that ‘a partnership agreement is no longer required to move forward during the mature phase of governance’ and the Services Partnership Agreement was ceased. There was no supporting documentation or information to explain why Customer Council had come to this conclusion and made this decision. The possibility of developing a revised Services Partnership Agreement has since been raised at subsequent Customer Council meetings. To date a revised Services Partnership Agreement has not been developed. In the absence of a Services Partnership Agreement (or similar document), there is no mechanism in place between directorates and agencies and Shared Services that provides a basic framework for what is essentially a purchaser-provider relationship. 2.13

Under the auspice of the Services Partnership Agreement (2013) three groups or forums have had a key role with respect to the governance and oversight of Shared Services and its delivery of services to ACT Government agencies: the ACT Public Service Strategic Board (as the Shared Services Governing Committee); the Customer Council; and collaboration forums. The establishment of these groups provided a sound basis for the oversight of Shared Services’ delivery of human resource and finance services to ACT Government agencies and provided a mix of opportunities for the oversight of Shared Services and its activities, ranging from the strategic to the operational. 2.25

In May 2016 the Strategic Board endorsed revised governance arrangements for the oversight of Shared Services and its delivery of services to ACT Government directorates and agencies. The Services Partnership Agreement was replaced with revised and strengthened roles and responsibilities for the Customer Council and the collaboration forums, which were documented in each body’s terms of reference. According to the Strategic Board paper that proposed the revised governance arrangements, ‘the existing [Services Partnership Agreement] arrangement is replaced by updated Terms of Reference for the Customer Council and each of the collaboration forums’. The revised terms of reference for the Customer Council made more explicit its role for the strategic direction and oversight of Shared Services as it was explicitly tasked with ‘supporting Strategic Board to provide whole of government leadership and strategic direction’. 2.35

The Customer Council was not operating effectively as a governance and oversight mechanism for Shared Services’ delivery of human resources and finance services to ACT Government agencies. Between 2016 and 2018 not all meetings proceeded as planned and members from directorates were often absent or sent lower level proxies in their place. On repeated occasions items requested by the Chair of Customer Council or other forum members and other actions were not prepared, not tabled or were closed with inadequate or no explanation. A review of Customer 2.48

Council meeting minutes also shows mixed results in terms of its discharge of its responsibilities. The Customer Council’s efforts could be seen in some cases, such as monitoring collaboration forum activities, but it did not provide strong leadership and direction for reviewing Shared Services’ strategic direction. While it was able to effectively debate and influence some activities, such as cross-agency debt management arrangements, for other activities it was an information sharing forum and not a decision-making body. Throughout the period under review, questions were repeatedly raised on the effectiveness of Customer Council. While the HR and Finance collaboration forums were able to establish annual work plans, the Customer Council had difficulty with clearly expressing its future plans for service delivery improvement while questions over its effectiveness remained.

The Finance Collaboration Forum and HR Collaboration Forum (and other project-specific forums) were effective forums for Shared Services and directorates and agencies to discuss service initiatives and issues associated with service delivery. The forums developed annual work plans, which listed specific tasks and projects which the forum was expected to discuss, action and report on progress to the Customer Council. Collaboration forum progress against each of their objectives was generally well demonstrated, particularly in the earlier periods reviewed. In 2016, the HR Collaboration Forum reported project plans for each of its priority projects to Customer Council and both collaboration forums reported action plans during 2016 and 2017 which demonstrated ongoing progress in a structured format. Minutes of these forums in 2018 confirmed the collaboration forums were progressing their agendas on key projects and working across forums on relevant activities. 2.55

In July 2019 the Customer Council was replaced by the Quality and Measurement Advisory Committee. The Committee’s terms of reference are simpler, when compared to the terms of reference developed for the Customer Council in 2016, and explicitly focused on its role in overseeing the performance of Shared Services, specifically with respect to quality and timeliness of services, in meeting customer expectations and providing value for money services, and proposing and endorsing strategic initiatives. The committee is expected to have high-level representation, having its Chair and Deputy Chair roles filled at the Director-General level, and clearer rules associated with representation at the meeting by proxies. Since its establishment in July 2019 the committee has met four times and there is evidence of its activities to improve Shared Services’ accountability and service delivery arrangements. The present governance arrangements for Shared Services introduce dual accountabilities that are a hybrid of purchaser-provider and appropriated agency approaches that are not featured in other ACT Government appropriated agencies. 2.67

The roles and responsibilities of Shared Services and directorates and agencies were documented as part of a service catalogue for the purpose of the Services Partnership Agreement in 2013. The service catalogue sought to identify responsibility for different parts of the service activity, i.e. whether responsibility lay with Shared Services or directorates/agencies. When the Services Partnership Agreement ceased in 2016 the Customer Council was responsible for maintaining the service catalogue and the description of shared services activities. It is not clear what action the Customer Council took in relation to this requirement as there is no evidence that the documents were updated or reviewed. In July 2019, however, the Quality and Measurement Advisory Committee requested Shared Services develop 2.77

process maps for its services. A review of the roles and responsibilities documents, and follow up discussions with Shared Services and directorates/agencies selected for the audit, suggest that the roles and responsibilities documents did not reflect the current interactions and responsibilities of each party, particularly for more complex services such as financial statements, taxation and recruitment activities.

At its first meeting on 1 July 2019, the Quality and Measurement Advisory Committee discussed key performance indicators for Shared Services' activities. In doing so the committee also discussed the development of process maps to assist in identifying roles and responsibilities between Shared Services and directorates/agencies. Shared Services has since prepared a Draft Services Catalogue for HR, finance, records management and related customer support functions. According to the Draft Services Catalogue (August 2019) 'the document includes workflows and information regarding roles and responsibilities for each service'. The draft catalogue articulated and documented a range of information including: a description of the function and services; roles and responsibilities for the service activities (assigned to either directorates/agencies or Shared Services); a description of factors influencing service delivery; and a series of workflow process maps for key activities covered by the services. The *Draft Services Catalogue* (August 2019), once agreed with relevant directorates and agencies, is expected to provide a sound basis for the ongoing management and accountability of Shared Services' delivery of services as originally intended by the Services Partnership Agreement.

2.83

## SERVICE DELIVERY

Paragraph

Shared Services has developed a sound framework for the delivery of transactional HR and finance services to ACT Government directorates and agencies. This includes the *Shared Services Customer Service Charter*, policy and procedural guidance for its Service Desk staff and training and support processes for its Service Desk staff, including quality assurance processes. More complex HR and finance activities are also supported by specialist HR, finance and recruitment teams in Shared Services, specifically to assist directorates and agencies' strategic HR and finance teams. Feedback from representatives of some directorates and agencies suggested that processes for escalating and resolving issues with more complex services were not clear and were inconsistently applied.

3.18

Shared Services has a strategic risk register to document the controls and mitigation strategies that it uses to manage the risks to achieving its organisational objectives. The risks are documented at a high-level, and the risk description includes a range of activities and business processes that may affect or contribute to the risk, or be a control or mitigating factor for the risk. These descriptions are light in detail in terms of their influence on the risk and some of the processes and activities that were identified to treat risks were not yet implemented. The risks identified in the strategic risk register for Shared Services are not allocated to an individual risk owner, nor are the risk controls or actions identified in the treatment plans. In relation to operational risks Shared Services has a Shared Services Finance risk register (marked as draft and dated March 2016) and a Shared Services HR risk register (appears to have been last updated and signed off in July 2016). The

3.31

connection between the business unit or branch level risk plans and the strategic risk register in Shared Services was not clear. Business unit level risk management plans were not being used to track risk management activities by the managers of these functions.

Key performance indicators for Shared Services' delivery of services were developed and implemented as part of the Services Partnership Agreement in 2013. 'Shared key performance indicators' were developed, which were intended to be a shared responsibility between Shared Services and directorates and agencies. 'Cascading key performance indicators' were also developed, which were only examined if the shared key performance indicators were not met. Fifty-seven shared and cascading key performance indicators were developed for the finance services and 19 shared and cascading indicators were developed for the HR services. The large number of key performance indicators in the Services Partnership Agreement and the shared nature of the key performance indicators made it difficult for Customer Council to keep Shared Services accountable for its performance in HR and finance service delivery. The shared indicators diluted accountability and responsibility for Shared Services' performance. 3.38

With the cessation of the Services Partnership Agreement in 2016, a significantly reduced set of key performance indicators was subsequently adopted and reported to Customer Council. These indicators were reviewed and revised on a number of occasions by the collaboration forums and the Customer Council. An Audit Office review of the key performance indicators for finance services and HR services as at May 2019 shows: 3.51

- the key performance indicators did not consistently consider service quality and did not sufficiently address customer satisfaction;
- the key performance indicators did not cover all elements of Shared Services business in relation to customer engagement and satisfaction;
- there were no key performance indicators that measured progress against strategic priorities and measures, and implementation of strategic directions; and
- there was a lack of alignment between the Shared Services strategic direction and major activities and projects and the key performance indicators for HR and performance services.

A key priority of the Quality Measurement and Advisory Committee on its commencement in July 2019 was to review and agree on revised key performance indicators for Shared Services and its delivery of services. The minutes of its first meeting on 1 July 2019 indicated that directorates and agencies were of the view that the key performance indicators were not relevant to the services provided. The Quality and Measurement Advisory Committee requested that the new indicators focus on: Timeliness, Quality, Customer satisfaction and Value for money. An Audit Office review of key performance indicators for finance services and HR services as at October 2019 shows: 3.58

- improvements have been made to the completeness of reported service measures with recruitment services now including all key stages of the process; and

- performance measures focus on activities that are within Shared Services' responsibility. This focuses the Quality and Measurement Advisory Committee on its responsibility to oversight Shared Services' performance. Measures are still available and reported on directorate and agency performance for activities within their responsibility.

The Chief Minister, Treasury and Economic Development Directorate conducts an annual customer satisfaction survey among ACT Public Service staff 'to assess the degree of satisfaction with Shared Services'. Satisfaction with HR services has been steadily declining since 2015, with an overall satisfaction rate for 2019 of 67 percent down from 70 percent in 2015. Changes to the methodology for reporting satisfaction with finance services makes a similar comparison difficult. However, it is apparent that the overall satisfaction rate for different finance services have increased between 2018 and 2019 (Accounts Receivable 63 percent to 73 percent, accounts payable 66 percent to 72 percent and the Accounts Payable Invoice Automation Service activity from 40 percent to 56 percent). The low results for the Accounts Payable Invoice Automation Service relates to significant shortcomings associated with its implementation by Shared Services in change management and communication with users, with comments from directorates and agencies noting issues with the lack of training, data accuracy, timeliness of processing, difficulty of using the system and lack of communication. The identification and reporting of key performance indicators associated with customer satisfaction to the Quality and Measurement Advisory Committee since October 2019 is expected to provide a means by which the performance of Shared Services can be reviewed and discussed in an effort to identify service delivery issues and potential improvements.

3.72

Periodic benchmarking exercises of Shared Services' human resources and finance services are relied on to demonstrate Shared Services' efficiency. The reported results of the 2018 benchmarking review do not provide a sound basis for assessing the efficiency of Shared Services:

3.95

- benchmarking results are presented with reference to the 'Global Public Sector Percentile', i.e. a 'Global Public Sector Peer Group' comprising 290 entities. Presenting the benchmarking results against the Global Public Sector Peer Group weakens the value of the benchmarking exercise as it impairs the direct comparability of ACT results;
- further benchmarking is reported to be performed with reference to an 'Australian and Canadian Public Sector Peer Group' of 31 organisations which purports 'to provide high level of comparability to Australian Public Sector Organisations'. The organisations are varied and diverse in nature and include a mix of Australian Government agencies and their business units, Australian state and territory government agencies and a range of municipal, provincial and federal Canadian agencies and other entities which do not appear to be relevant or for which it is unclear what entity is being considered. Less than half of the HR measures and finance measures are reported against entities selected from this pool. There is no further information in the report with respect to which of the 31 agencies were selected for benchmarking

for the different measures. This does not allow for transparency in the benchmarking exercise;

- most benchmarking results are presented against an ‘Adjusted Global Public Sector Quartile’, which purports to reflect the scope of services of Shared Services with respect to directorates and agencies. The proportion of responsibility between Shared Services and the directorates and agencies was estimated by Shared Services and was not discussed and agreed with directorates and agencies. It would be appropriate given the role of directorates and agencies in jointly delivering human resources and finance services to involve them in this process;
- in reporting the benchmarking results against an ‘Adjusted Global Public Sector Quartile’, performance is reported as follows (outperforming – top 25 percent (i.e. top quartile), aligned – 25 to 75 percent (i.e. middle two quartiles) and underperforming – bottom 25 percent (i.e. bottom quartile). Using this scale a measure may be identified as ‘aligned’ but be below average;
- a number of measures against which Shared Services is benchmarked for the purpose of this exercise do not relate to the performance of Shared Services and its delivery of services to ACT Government agencies, e.g. percentage of new hire retention after 12 months. The inclusion of these measures in the report is not useful to the reported performance of Shared Services and its activities;
- half of the HR and finance measures used for benchmarking are ACT Government revenue based, e.g. ‘number of HR FTEs per \$1 billion revenue’ or ‘total HR cost per \$1,000 revenue’ and are based on total Territory revenue of \$4.5 billion. The relevance of revenue-based measures is questionable as the link between the magnitude of revenue and its impact and relevance to Shared Services and its activities is weak. More relevant measures would be based on the number of creditors or debtors within the scope of Shared Services’ activities or the number of invoices processed;
- no benchmarking comparisons are made with commercial providers despite intentions indicated in Chief Minister, Treasury and Economic Development Directorate planning documents. The applicability and reasons for differences in results would need to be analysed to satisfy competitive neutrality requirements.

The Customer Council was briefed on the results of the benchmarking review at its meeting of 10 May 2019 and the minutes record ‘The Council noted the papers as read’. The meeting minutes record that there were eleven apologies for the meeting from directorates and agencies and eight attendees at the meeting; five attendees from Shared Services and three attendees from directorates and agencies (two of these attendees were proxies). The results of the benchmarking review are reported through an Accountability Indicator ‘% of measures in line or exceeding benchmark peer group’, with an associated target of 80 percent. Aside from this, there is no further documentation with respect to the benchmarking review, its results, how it will be reviewed or further analysed to drive performance improvements.

3.96

## Recommendations

### RECOMMENDATION 1 SERVICES AGREEMENT

Shared Services, in cooperation with directorates and agencies and under the auspice of the Quality and Measurement Advisory Committee, should develop and agree a services agreement (or similar document) with directorates and agencies which:

- a) identifies and documents respective roles and responsibilities;
- b) documents mechanisms that govern service delivery and assurance;
- c) performance management arrangements; and
- d) how often the agreement will be reviewed.

The recently developed Draft Services Catalogue (August 2019) commissioned by the Quality and Measurement Advisory Committee could serve as a foundation for the agreement.

### RECOMMENDATION 2 DELIVERY OF COMPLEX SERVICES

In conjunction with Recommendation 1, Shared Services should agree and document with directorates and agencies how strategic human resources and finance teams:

- a) access Shared Services' more complex services; and
- b) escalate and resolve complex service delivery issues.

### RECOMMENDATION 3 RISK MANAGEMENT

Shared Services should improve its risk management activities to ensure:

- a) risk assessments are comprehensive and accurate;
- b) treatments effectively address the risk and are assigned to a specific responsible individual or position;
- c) strategic and operational risk registers are clearly linked; and
- d) managers at all levels of the organisation can clearly understand the risk treatments they are responsible for and are able to evidence their risk management activity.

## RECOMMENDATION 4      BENCHMARKING REVIEWS

Shared Services, in cooperation with directorates and agencies through the Quality and Measurement Advisory Committee, should develop and agree an approach to benchmarking of its services that:

- a) uses measures that are directly relevant and focused on Shared Services, its activities and accountabilities;
- b) provides transparency in the nature of organisations and activities against which it is benchmarked; and
- c) makes qualified comparisons with commercial entities.

### Agency responses

In accordance with the requirements of the *Auditor-General Act 1996*, the Chief Minister, Treasury and Economic Development Directorate, ACT Health Directorate, Education Directorate, the Emergency Services Agency within the Justice and Community Safety Directorate and the Long Service Leave Agency were provided with:

- a draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report; and
- a final proposed report for further comment. As part of this process, recipients were offered the opportunity to provide a statement for inclusion in the final report in the Summary chapter.

No comments were provided for inclusion in this Summary chapter.





# 1 INTRODUCTION

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## ACT Government Shared Services

1.1 Shared Services was established in 2007 in order to consolidate and reduce duplication of IT and corporate services across ACT Government agencies. The corporate services include human resources (leave, pay, recruitment and salary packaging), finance (invoices, cash management, chart of accounts), records and mail management services and publishing.

1.2 The shared services initiative was outlined in the *2006-07 ACT Government Budget Paper No. 3*:

As part of the structural reform in this Budget, a single Shared Services Centre will be established, incorporating transactional activities relating to human resources, finance, information technology, records management, procurement and publishing services. Strategic capacity will remain with individual departments/agencies. Benefits will include:

- better sharing of skills and experience between the staff, and ongoing training;
- economies of scale, and greater adherence to whole-of-government policies and standards;
- the development of a strong, service-oriented culture; and
- multi-skilling, job rotation and enhanced career development of the staff.

1.3 Shared Services' vision, mission and values are outlined in its *Strategic Direction 2019-20* document as follows:

- Vision: To be a valued business partner
- Mission: To provide a centre of expertise for corporate services
- Values: Integrity, Respect, Collaboration and Innovation

## Service activities

1.4 Table 1-1 outlines Shared Services' activities across the different types of services that it provides.

**Table 1-1 Shared Services' service offerings**

Service type	Detailed services offering
Finance	Accounts payable, accounts receivable, asset register management, cash management, finance management information system (FMIS), financial ledger management, financial statements – annual and monthly reports, taxation management, budgeting (optional service), internal management reporting (optional service)
Human resources	Payroll and personnel, recruitment, executive engagement and contracts, information and data, record services, salary packaging
Information communication technology (ICT)	Whole of Government data and communications network, ICT Infrastructure maintenance and support (networks, servers, desktops), applications support,

Service type	Detailed services offering
	communication and collaboration, ICT consulting and project management, service and help desk functions
Publishing	Design and print, electronic and multimedia, ACTGOV Gazette, whole of government messaging
Records management and mail services	File management and storage, mail, electronic records management

Source: Audit Office, based on 2019-20 Budget Statements

Note: Not all agencies and directorates receive services noted as 'Optional'. These services are provided on request and are not part of the standard suite of services provided

1.5 Shared Services' *Strategic Direction 2019-2020* document states that it is responsible for:

- serving over 25,000 ACT Government employees;
- managing over 2,400 business systems;
- resolving over 60,000 transactions weekly; and
- facilitating \$6 billion in supplier payments per annum.

### Projects

1.6 In recent years Shared Services has undertaken a portfolio of projects that has sought to provide new and improved services to agencies. Some of the key projects pursued in 2017-18 and 2018-19 that were relevant to human resources and finance services included:

- the implementation of the Accounts Payable Invoice Automation System;
- the integration of Oracle EBS with the Project Management Reporting System;
- an upgrade of the KRONOS workforce management application;
- the automation of long service leave management;
- the acquisition of an end-to-end debt management and recovery system; and
- the launch of the new Shared Services website.

1.7 Current projects that are identified as underway in the *Shared Services Major Activities & Projects 2019-2020* work plan, relating to human resources and finance services include:

- Human Resource Information Management (HRIMS) System transformation;
- Single Touch Payroll – PAYG Reporting;
- Oracle purchase orders; and
- Phase 2 of the Accounts Payable Invoice Automation System (APIAS).

### Cost of Shared Services

1.8 Shared Services is a business unit of the Commercial Services and Infrastructure Group in the Chief Minister, Treasury and Economic Development Directorate. According to the

2019-20 Budget Statements for the Chief Minister, Treasury and Economic Development Directorate:

Shared Services provides a range of ICT and corporate services, including ... tactical and transactional human resource and financial services to directorates and agencies.

- 1.9 The total cost of Shared Services activities in 2018-19 was \$220.2 million (budgeted costs for 2019-20 for all services is \$219.1 million). In 2018-19 it had 904.8 full time equivalent (FTE) permanent and contracted staff. Table 1-2 shows the total cost of Shared Services activities in 2018-19 by service category.

**Table 1-2 Shared Services costs (2018-19) by service category**

Service	Actual Cost (\$ million)
Finance	\$16.8
Human Resources	\$21.8
Information Communication Technology (ICT)	\$172.2
Publishing	\$3.1
Records management and mail services	\$6.3
<b>Total</b>	<b>\$220.2</b>

Source: *Shared Services Costing Model Review: Final Report*

### Funding Arrangements

- 1.10 Prior to the 2019-20 financial year, Shared Services recovered its costs from ACT Government directorates and agencies through the direct charging of variable and/or fixed costs for the delivery of services. For discrete tasks or projects undertaken on behalf of agencies, Shared Services charged for actual costs incurred.
- 1.11 In November 2018, the *Shared Services Cost Model Review: Final Report*, a report of the Shared Services Cost Model Review Sub-Committee, recommended that, from 1 July 2019, Shared Services should be appropriated for the provision of finance, human resources, records and publishing services. The appropriation was expected to account for over 90 per cent of the cost of delivering these services. The remainder of the cost is expected to be received by direct charging of partner agencies, such as for discrete projects or direct costs attributable to a particular activity.

### Shared Services administrative arrangements

- 1.12 Shared Services is managed by the Executive Group Manager, Shared Services and as at February 2020 has eight branches:
- HR Systems and Payroll;
  - Strategic Finance;
  - Finance Services;

- Partnership Services;
- Strategic HR and Corporate Services; and
- the ICT sub-division, which consists of three branches: Strategic Business, Customer Engagement Services, and Technology Services.

1.13 The primary branches for consideration in the audit were the Partnership Services Branch, Finance Services Branch and HR Systems & Payroll Branch (previously the Finance and Payroll Division).

1.14 The Partnership Services Branch, Finance Services Branch and HR Systems and Payroll Branch are responsible for the management of:

- human resource services – includes payroll, recruitment, reporting, HR systems and support;
- finance services – includes accounts payable, accounts receivable, debt management, financial reporting, salary packaging, banking and taxation; and
- customer service – includes Shared Services Service Desk, partnership arrangements with agencies, records management, customer website, business improvement.

### *Chief Minister, Treasury and Economic Development Directorate*

1.15 Within the Chief Minister, Treasury and Economic Development Directorate, the Executive Group Manager Shared Services reports to the Deputy Under Treasurer, Commercial Services and Infrastructure.

### *Role of directorates and agencies (partner agencies)*

1.16 Directorates and agencies have an important role in the delivery of shared services. In the first instance, they have a role in the governance and oversight of Shared Services through participation and membership of committees that oversee the activities of Shared Services. In addition, they have particular and specific responsibilities for parts of HR and finance processes for which Shared Services is not responsible. This includes strategic HR and finance requirements that are particular to each partner agency, as well as discrete HR and finance tasks that remain an agency responsibility.

## **Shared services governance and oversight**

### **Governance bodies**

1.17 There have been three main bodies which have had a role in the governance and oversight of Shared Services and its service delivery:

- the ACT Public Service Strategic Board - the senior executive forum for the ACT Public Service. It is the peak ACT Public Service forum for discussion on strategic issues and

reports to Cabinet. It is chaired by the Head of Service, and comprises the Head of Service, the seven Directors-General and the Under Treasurer.

- Customer Council (Quality and Measurement Advisory Committee) – from 2013 the Customer Council supported Strategic Board by providing direction and oversight of Shared Services. On 1 July 2019 the Customer Council was replaced by the Quality and Measurement Advisory Committee.
- Collaboration forums – between 2013 and 1 July 2019 three collaboration forums reflecting the three main service lines were established to support the Customer Council: Finance Collaboration Forum; Human Resources Collaboration Forum; and ICT Collaboration Forum. Each forum was made up of key Shared Services staff and leaders from each directorate in areas relevant to the particular service. On 1 July 2019 the Human Resources Collaboration Forum was replaced by the Human Resources Directors Group and the role of the Finance Collaboration Forum was changed to become a whole of government collaboration and information sharing forum. The ICT Collaboration Forum was renamed to Strategic IT and Digital Capability Sub-Committee, and now reports to the Digital Service Governance Committee which oversees ACT Government IT strategy.

### Services Partnership Agreement

1.18 The Services Partnership Agreement has been a key aspect of Shared Services' governance and administrative arrangements. It was developed and agreed as a memorandum of understanding between Shared Services and the ACT Government Strategic Board in October 2013. It replaced agency-based agreements that were previously in place between individual ACT Government agencies and Shared Services. The Services Partnership Agreement was:

... intended as a set of principles and guidelines that provide clarity around services provided, the roles of each party in achieving outcomes for the Territory, and a tool to promote cooperation, collaboration and joint decision-making.

1.19 The Services Partnership Agreement ceased in May 2016 and was not replaced by a similar document or agreement.

## Audit objective and scope

### Audit objective

1.20 The objective of the audit is to provide an independent opinion to the ACT Legislative Assembly on the effectiveness of Shared Services' delivery of human resource and finance services to ACT Government agencies.

### Audit scope

1.21 The scope of the audit included the consideration of:

- planning for the delivery of HR and finance services;
- implementation of service partnership arrangements (in relation to HR and finance services); and
- how the delivery of HR and finance services is monitored and reported.

1.22 The audit primarily focused on governance and administrative arrangements for Shared Services since 2013.

### Out of scope

1.23 The audit did not consider ICT functions within Shared Services, or the reliability or accuracy of reporting against accountability indicators.

## Audit criteria, approach and method

### Audit criteria

1.24 To form a conclusion against the objective, the following three questions were used as criteria:

- Is effective planning undertaken for the delivery of HR and finance services?
- Have service partnership arrangements (in relation to HR and finance services) been effectively implemented?
- Are the performance management arrangements for HR and finance services effective and supported by reliable and relevant performance information?

### Audit approach and method

1.25 The audit approach and method consisted of:

- interviews and discussions with staff in:
  - Shared Services;
  - Chief Minister, Treasury and Economic Development Directorate;
  - Education Directorate;
  - Emergency Services Agency (within Justice and Community Safety Directorate);
  - ACT Health Directorate; and
  - Long Service Leave Authority.
- review of relevant documentation related to governance arrangements (including risk management) for oversight of the delivery of human resources and finance services, including related policies and procedures;
- identifying, documenting and testing internal controls and procedures used to give effect to relevant governance and planning arrangements, including monitoring of compliance with controls; and

- review of performance information sources to determine relevance and reliability for decision making.

1.26 The audit was performed in accordance with *ASAE 3500 – Performance Engagements*. The audit adopted the policy and practice statements outlined in the Audit Office’s *Performance Audit Methods and Practices (PAMPr)* which is designed to comply with the requirements of the *Auditor-General Act 1996 and ASAE 3500 – Performance Engagements*.

1.27 In the conduct of this performance audit the ACT Audit Office complied with the independence and other relevant ethical requirements related to assurance engagements.



## 2 GOVERNANCE ARRANGEMENTS FOR THE DELIVERY OF SERVICES

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- 2.1 This chapter discusses the governance arrangements and governance bodies in place to support, guide and oversee Shared Services' delivery of human resources (HR) and finance services to ACT Government agencies. The chapter also considers the Services Partnership Agreement as a key mechanism to support the governance arrangements between Shared Services and ACT Government agencies between 2013 and 2016.

### Summary

### Conclusions

Governance arrangements for the oversight of Shared Services' delivery of HR and finance services to ACT Government directorates and agencies have not been effective. While a range of governance mechanisms have been put in place over a period of years, these were not consistently applied or effective in their implementation.

A Services Partnership Agreement developed and agreed in October 2013 between Shared Services and the Strategic Board provided a basic framework for the delivery of HR and finance services. It documented governance and accountability arrangements, monitoring and reporting arrangements and processes for the setting and review of pricing. A key feature was that it articulated and documented a service catalogue for all of the shared services, which provided a sound basis on which to understand processes and responsibilities and set service level expectations and prices. The Services Partnership Agreement was discontinued in May 2016 without sufficient explanation, and in its absence there has been no similar mechanism for what is essentially a purchaser-provider relationship between directorates and agencies and Shared Services.

A series of governance and oversight bodies were also established, which were expected to have a key role in the governance and oversight of Shared Services and its delivery of HR and finance services to ACT Government agencies. The Customer Council, which was the main forum for Shared Services' accountability, was not operating effectively as a governance and oversight mechanism since the discontinuation of the Services Partnership Agreement. The Finance Collaboration Forum and HR Collaboration Forum were effective forums for Shared Services and directorates and agencies to discuss service initiatives and issues associated with service delivery.

In July 2019 the Quality and Measurement Advisory Committee was established to replace the Customer Council. Arrangements put in place for the establishment and administration of the committee are expected to address shortcomings that were associated with the Customer Council. In its comparatively short period of operation the committee has commenced some positive initiatives including documenting process maps to assist in identifying roles and

responsibilities between Shared Services and directorates and agencies for HR and finance services and reviewing and revising key performance indicators for Shared Services' delivery of services.

## Key findings

	Paragraph
<p>The Services Partnership Agreement, a memorandum of understanding between Shared Services and the ACT Government Strategic Board (representing all directorates), was developed and agreed in October 2013. It was a sound mechanism for documenting the governance and accountability arrangements for human resources and finance service delivery, monitoring and reporting activities, and processes for the setting and review of pricing. A key feature of the Services Partnership Agreement was the articulation and documentation of a service catalogue for all of the shared services. The Agreement was an improvement on previous service level agreements that were developed between Shared Services and individual directorates and agencies on an annual basis. A November 2010 post-implementation review of Shared Services noted that these 'existing [service level agreements] are not generally agreed by agencies, or agreed very late in the budget cycle'.</p>	2.6
<p>In May 2016 the Customer Council decided that 'a partnership agreement is no longer required to move forward during the mature phase of governance' and the Services Partnership Agreement was ceased. There was no supporting documentation or information to explain why Customer Council had come to this conclusion and made this decision. The possibility of developing a revised Services Partnership Agreement has since been raised at subsequent Customer Council meetings. To date a revised Services Partnership Agreement has not been developed. In the absence of a Services Partnership Agreement (or similar document), there is no mechanism in place between directorates and agencies and Shared Services that provides a basic framework for what is essentially a purchaser-provider relationship.</p>	2.13
<p>Under the auspice of the Services Partnership Agreement (2013) three groups or forums have had a key role with respect to the governance and oversight of Shared Services and its delivery of services to ACT Government agencies: the ACT Public Service Strategic Board (as the Shared Services Governing Committee); the Customer Council; and collaboration forums. The establishment of these groups provided a sound basis for the oversight of Shared Services' delivery of human resource and finance services to ACT Government agencies and provided a mix of opportunities for the oversight of Shared Services and its activities, ranging from the strategic to the operational.</p>	2.25
<p>In May 2016 the Strategic Board endorsed revised governance arrangements for the oversight of Shared Services and its delivery of services to ACT Government directorates and agencies. The Services Partnership Agreement was replaced with revised and strengthened roles and responsibilities for the Customer Council and the</p>	2.35

collaboration forums, which were documented in each body's terms of reference. According to the Strategic Board paper that proposed the revised governance arrangements, 'the existing [Services Partnership Agreement] arrangement is replaced by updated Terms of Reference for the Customer Council and each of the collaboration forums'. The revised terms of reference for the Customer Council made more explicit its role for the strategic direction and oversight of Shared Services as it was explicitly tasked with 'supporting Strategic Board to provide whole of government leadership and strategic direction'.

The Customer Council was not operating effectively as a governance and oversight mechanism for Shared Services' delivery of human resources and finance services to ACT Government agencies. Between 2016 and 2018 not all meetings proceeded as planned and members from directorates were often absent or sent lower level proxies in their place. On repeated occasions items requested by the Chair of Customer Council or other forum members and other actions were not prepared, not tabled or were closed with inadequate or no explanation. A review of Customer Council meeting minutes also shows mixed results in terms of its discharge of its responsibilities. The Customer Council's efforts could be seen in some cases, such as monitoring collaboration forum activities, but it did not provide strong leadership and direction for reviewing Shared Services' strategic direction. While it was able to effectively debate and influence some activities, such as cross-agency debt management arrangements, for other activities it was an information sharing forum and not a decision-making body. Throughout the period under review, questions were repeatedly raised on the effectiveness of Customer Council. While the HR and Finance collaboration forums were able to establish annual work plans, the Customer Council had difficulty with clearly expressing its future plans for service delivery improvement while questions over its effectiveness remained.

2.48

The Finance Collaboration Forum and HR Collaboration Forum (and other project-specific forums) were effective forums for Shared Services and directorates and agencies to discuss service initiatives and issues associated with service delivery. The forums developed annual work plans, which listed specific tasks and projects which the forum was expected to discuss, action and report on progress to the Customer Council. Collaboration forum progress against each of their objectives was generally well demonstrated, particularly in the earlier periods reviewed. In 2016, the HR Collaboration Forum reported project plans for each of its priority projects to Customer Council and both collaboration forums reported action plans during 2016 and 2017 which demonstrated ongoing progress in a structured format. Minutes of these forums in 2018 confirmed the collaboration forums were progressing their agendas on key projects and working across forums on relevant activities.

2.55

In July 2019 the Customer Council was replaced by the Quality and Measurement Advisory Committee. The Committee's terms of reference are simpler, when compared to the terms of reference developed for the Customer Council in 2016, and explicitly focused on its role in overseeing the performance of Shared Services, specifically with respect to quality and timeliness of services, in meeting customer expectations and providing value for money services, and proposing and endorsing strategic initiatives. The committee is expected to have high-level representation, having its Chair and Deputy Chair roles filled at the Director-General level, and clearer rules associated with representation at the meeting by proxies. Since its

2.67

establishment in July 2019 the committee has met four times and there is evidence of its activities to improve Shared Services' accountability and service delivery arrangements. The present governance arrangements for Shared Services introduce dual accountabilities that are a hybrid of purchaser-provider and appropriated agency approaches that are not featured in other ACT Government appropriated agencies.

The roles and responsibilities of Shared Services and directorates and agencies were documented as part of a service catalogue for the purpose of the Services Partnership Agreement in 2013. The service catalogue sought to identify responsibility for different parts of the service activity, i.e. whether responsibility lay with Shared Services or directorates/agencies. When the Services Partnership Agreement ceased in 2016 the Customer Council was responsible for maintaining the service catalogue and the description of shared services activities. It is not clear what action the Customer Council took in relation to this requirement as there is no evidence that the documents were updated or reviewed. In July 2019, however, the Quality and Measurement Advisory Committee requested Shared Services develop process maps for its services. A review of the roles and responsibilities documents, and follow up discussions with Shared Services and directorates/agencies selected for the audit, suggest that the roles and responsibilities documents did not reflect the current interactions and responsibilities of each party, particularly for more complex services such as financial statements, taxation and recruitment activities.

2.77

At its first meeting on 1 July 2019, the Quality and Measurement Advisory Committee discussed key performance indicators for Shared Services' activities. In doing so the committee also discussed the development of process maps to assist in identifying roles and responsibilities between Shared Services and directorates/agencies. Shared Services has since prepared a Draft Services Catalogue for HR, finance, records management and related customer support functions. According to the Draft Services Catalogue (August 2019) 'the document includes workflows and information regarding roles and responsibilities for each service'. The draft catalogue articulated and documented a range of information including: a description of the function and services; roles and responsibilities for the service activities (assigned to either directorates/agencies or Shared Services); a description of factors influencing service delivery; and a series of workflow process maps for key activities covered by the services. The *Draft Services Catalogue* (August 2019), once agreed with relevant directorates and agencies, is expected to provide a sound basis for the ongoing management and accountability of Shared Services' delivery of services as originally intended by the Services Partnership Agreement.

2.83

## Governance arrangements

- 2.1 Since its establishment in 2007, the ACT Government has implemented a number of separate and distinct governance arrangements for Shared Services and its delivery of services to ACT Government agencies. The audit has focused on the governance arrangements in place for Shared Services since 2013.

## Services Partnership Agreement (2013)

2.2 The Services Partnership Agreement was a key document for setting governance and administrative arrangements for Shared Services and its delivery of services to ACT Government agencies between 2013 and 2016. The purpose of the Services Partnership Agreement, which was a memorandum of understanding between Shared Services and the ACT Government Strategic Board (representing all directorates), was to establish principles and guidelines for the delivery of shared services to ACT Government agencies:

This Agreement is intended as a set of principles and guidelines that provide clarity around services provided, the roles of each party in achieving outcomes for the Territory, and a tool to promote cooperation, collaboration and joint decision-making.

2.3 The Services Partnership Agreement identified and documented:

- governance and accountability arrangements for human resource and finance services, as well as other governance mechanisms relating to audit, integrity and fraud control and business continuity and disaster recovery planning;
- monitoring and reporting arrangements; and
- processes for the setting and review of pricing.

2.4 The Services Partnership Agreement replaced service level agreements that were intended to be developed between Shared Services and individual directorates and agencies on an annual basis. In relation to these, a November 2010 post-implementation review of Shared Services noted that 'existing [service level agreements] are not generally agreed by agencies, or agreed very late in the budget cycle'.

2.5 A key feature of the Services Partnership Agreement was the articulation and documentation of a service catalogue for all of the shared services. It consolidated and documented:

- outcomes sought from the services;
- activities and processes associated with the services;
- roles and responsibilities between Shared Services and the partner agencies for the services;
- standards for the delivery of the services; and
- key performance indicators for the services. The initial Services Partnership Agreement identified over 90 key performance indicators for monitoring and reporting across all of its services and activities. The key performance indicators were identified as 'shared' indicators between Shared Services and directorates and agencies, and these were then supported by 'cascading key performance indicators', which were 'only measured if [shared key performance indicators] were not met'. Further discussion of the operation of these measures is at paragraph 3.35.

- 2.6 The Services Partnership Agreement, a memorandum of understanding between Shared Services and the ACT Government Strategic Board (representing all directorates), was developed and agreed in October 2013. It was a sound mechanism for documenting the governance and accountability arrangements for human resources and finance service delivery, monitoring and reporting activities, and processes for the setting and review of pricing. A key feature of the Services Partnership Agreement was the articulation and documentation of a service catalogue for all of the shared services. The Agreement was an improvement on previous service level agreements that were developed between Shared Services and individual directorates and agencies on an annual basis. A November 2010 post-implementation review of Shared Services noted that these ‘existing [service level agreements] are not generally agreed by agencies, or agreed very late in the budget cycle’.

### Cessation of the Services Partnership Agreement

- 2.7 In March 2016 the Customer Council (a governance body initiated to provide guidance and oversight for the delivery of shared services) initiated action to develop a new Services Partnership Agreement. Minutes from a 3 March 2016 meeting noted the following action item:

Action Item 1 – Develop a new Draft Services Partnership Agreement (SPA) to reflect Customer Council planning workshop outcomes.

- 2.8 Responsibility for this action was ascribed to Shared Services, and minutes from the meeting note ‘Shared Services [was] to undertake a strategic approach toward the delivery of services and identification of priorities’ and that ‘the revision of the Services Partnership Agreement (SPA) [was] to encompass the new governance structure and roles and responsibilities’ arising from a February 2016 Customer Council planning workshop.

- 2.9 At its next meeting however, on 19 May 2016, the Customer Council ceased activity to review the Services Partnership Agreement. The minutes of this meeting note:

It was agreed that a partnership agreement is no longer required to move forward during the mature phase of governance.

- 2.10 There was no supporting documentation or information in the minutes to explain why Customer Council had determined that the shared services arrangements had matured to a point where the Services Partnership Agreement was no longer required.

- 2.11 Notwithstanding that there was an apparent view that governance arrangements had matured, at a 23 November 2017 Customer Council meeting, proposed revisions to the council’s governance arrangements were discussed as well as the possibility of a revised Services Partnership Agreement:

... It was suggested that the Services Partnership Agreement also needed to be raised for discussion at some point under the new governance structure, as this was a vital component or element about the working relationships between Shared Services and Directorates.

- 2.12 However, no action item was generated to reconvene work on a revised Services Partnership Agreement. While work has been undertaken to agree a service catalogue and

implement new key performance indicators, to date, a revised Services Partnership Agreement has not been developed.

- 2.13 In May 2016 the Customer Council decided that ‘a partnership agreement is no longer required to move forward during the mature phase of governance’ and the Services Partnership Agreement was ceased. There was no supporting documentation or information to explain why Customer Council had come to this conclusion and made this decision. The possibility of developing a revised Services Partnership Agreement has since been raised at subsequent Customer Council meetings. To date a revised Services Partnership Agreement has not been developed. In the absence of a Services Partnership Agreement (or similar document), there is no mechanism in place between directorates and agencies and Shared Services that provides a basic framework for what is essentially a purchaser-provider relationship.

## Governance bodies

- 2.14 The 2013 Services Partnership Agreement identified three key groups or forums that were intended to provide governance and oversight of Shared Services and its delivery of services to ACT Government agencies:
- the ACT Public Service Strategic Board (as the Shared Services Governing Committee);
  - the Customer Council; and
  - collaboration forums.

### ACT Public Service Strategic Board

- 2.15 The ACT Public Service Strategic Board is the senior management group for the ACT Public Service. The Services Partnership Agreement noted ‘Strategic Board provides both governance and stewardship of Shared Services to ensure its success at a strategic level’. The Services Partnership Agreement identified that Strategic Board was to ‘meet twice per year as Shared Services Governing Committee (and more often if necessary)’.
- 2.16 The Strategic Board is chaired by the Head of Service, and includes the seven Directors-General and the Under Treasurer. The role of the Strategic Board is identified in its terms of reference:

The Board provides whole-of-government leadership and strategic direction to the ACTPS including by:

- exemplifying the ACTPS values of respect, integrity, collaboration and innovation, and the signature behaviours that underlie these values
- supporting continuous improvement through strategic planning in relation to government strategies and priorities, and ACTPS-wide organisational objectives
- providing consolidated advice and collective support to the Cabinet in relation to the settling and delivery of government strategies and priorities; providing the peak forum for debate on cross-cutting or strategic issues within the ACTPS

- ensuring appropriate planning and coordination of officials' activities as they relate to delivery of government priorities and policies
- anticipating emerging strategic issues and providing comprehensive across government advice to the Cabinet on possible responses
- fostering innovation, collaboration and excellence in policy and program design and delivery
- leading and fostering investment in the capacity and capability of ACTPS staff
- fostering an inclusive, collaborative, and cooperative culture within the ACTPS
- ensuring the operation of proper governance and accountability arrangements, including through the operation of critical corporate systems.

### Customer Council

2.17 The Customer Council was the key cross-agency governance body with responsibility for overseeing the activities of Shared Services and its delivery of shared services. Terms of reference were developed for the Customer Council at its inception in 2013, which stated that its objective was to:

... progress a partnership approach between directorates and Shared Services to ensure service expectations are shared and that activities and operations are consistent, efficient and effective to the extent possible while maintaining a positive and professional workplace culture for and between all agencies.

2.18 The Customer Council's terms of reference provided wide ranging functions to pursue this role. The Customer Council's terms of reference stated:

The Council may undertake a range of functions including:

- (a) ensuring ongoing commitment and alignment to the strategic direction of the partnership agreement;
- (b) being a conduit between Collaboration Forums and the Shared Services Governing Committee;
- (c) vetting and approving minor service improvement proposals;
- (d) vetting and recommending significant service improvement proposals to the Shared Services Governing Committee;
- (e) reviewing performance against the SPA Key Performance Indicators (KPIs), including approving Action Plans created by Collaboration Forums;
- (f) reviewing and providing advice on service delivery and/or financial issues;
- (g) reviewing and endorsing Benefit Realisation Plans;
- (h) providing guidance in the determination of Shared Services' priorities; and
- (i) reviewing and recommending to the Shared Services Governing Committee, activities related to Shared Services risk registers, business continuity plans, disaster recovery plans, and annual strategic planning.

2.19 To acquit its responsibility to the Strategic Board (as the Shared Services Governing Committee), the Customer Council was required to report on governance and other significant matters. The Customer Council's terms of reference stated:

The reporting requirements for the Council (include) providing advice to the Shared Services Governing Committee on the range of functions ... plus any other significant operational matters which the Council feels are warranted.

- 2.20 The initial terms of reference for the Customer Council stated that it was to meet four times a year following the receipt of quarterly reports on Shared Services' performance against key performance indicators identified in the Services Partnership Agreement. The meetings were to be of one hour in length 'although this may be varied as necessary in order to fulfil the Council's functions' and 'ad-hoc meetings may be convened as necessary to progress urgent initiatives or resolve critical service delivery and/or financial issues'.

### Collaboration forums

- 2.21 The Services Partnership Agreement identified that four collaboration forums were to be established and these were to have a key role in the governance and oversight of Shared Services. These were since reduced to three:

- Finance Collaboration Forum;
- HR Collaboration Forum; and
- ICT Collaboration Forum.

- 2.22 The three collaboration forums reported directly to the Customer Council. Each forum was made up of key Shared Services staff and leaders from each directorate in areas relevant to the particular service. The forums each elected a chairperson to attend Customer Council meetings on its behalf to advise progress against their forum's initiatives and workplans.

- 2.23 Terms of reference were developed for each of the collaboration forums. The terms of reference for the Finance Collaboration Forum and HR Collaboration Forum identified identical objectives, which were adapted for each service line:

The objectives of the [Finance/HR] Services Collaboration Forum are to:

- (a) enhance whole-of-government collaboration on [finance/HR] matters;
- (b) provide a communication channel for Shared Services [Finance/HR] initiatives and projects; and
- (c) provide a working group for [finance/HR] matters which may be referred from Customer Council or SSGC.

- 2.24 The collaboration forums were intended to be the primary operational oversight mechanisms for Shared Services.

- 2.25 Under the auspice of the Services Partnership Agreement (2013) three groups or forums have had a key role with respect to the governance and oversight of Shared Services and its delivery of services to ACT Government agencies: the ACT Public Service Strategic Board (as the Shared Services Governing Committee); the Customer Council; and collaboration forums. The establishment of these groups provided a sound basis for the oversight of Shared Services' delivery of human resource and finance services to ACT Government

agencies and provided a mix of opportunities for the oversight of Shared Services and its activities, ranging from the strategic to the operational.

### Revised governance roles (May 2016)

- 2.26 In May 2016 the Strategic Board agreed to revised governance arrangements for the oversight of Shared Services and its delivery of services to ACT Government directorates and agencies. Key features of the revised governance arrangements were the cessation of the Services Partnership Agreement (as noted in paragraphs 2.7 to 2.13) and revised roles and responsibilities for the Customer Council and the collaboration forums.
- 2.27 The Strategic Board paper proposing revised terms of reference for the Customer Council (including the collaboration forums) noted 'Customer Council considers that the [Services Partnership Agreement] is no longer required in its current form, reflecting the maturity of the relationship between Shared Services and directorates' and that 'the existing [Services Partnership Agreement] arrangement is replaced by updated Terms of Reference for the Customer Council and each of the collaboration forums'.

### *Revised terms of reference for Customer Council*

- 2.28 The revised terms of reference document for the Customer Council stated:

The establishment and ongoing role of Customer Council is critical to the Governance of the Shared Services model for the ACT Government. Customer Council supports Strategic Board by providing direction and oversight of the provision of Shared Services to directorates. Customer Council provides Strategic Board with advice, information and an ongoing assessment of the effectiveness of the Shared Services model for the ACTPS based on agreed key performance indicators.

- 2.29 The revised terms of reference document identified the role and purpose of the Customer Council as follows:

Customer Council supports Strategic Board to provide whole of government leadership and strategic direction in respect to the partnership between Shared Services and Directorates and is the peak forum for debate and decisions on matters relating to:

- the strategic outcomes for whole of government, systems, processes and initiatives connected to services that are or could be supported by Shared Services;
- analysis and initiatives arising from Collaboration Forums;
- to ensure that service expectations are clearly defined and met, and value for money is achieved;
- a positive and professional workplace culture for and between all agencies; and
- the determination of priorities for Shared Services.

To determine and monitor key strategic performance indicators that provide a high-level assessment of the performance of Shared Services and whole of government activities involving Shared Services and Directorates.

To provide oversight and direction to the Collaboration Forums.

Where appropriate, link in other governance bodies across the ACTPS to issues, concepts and strategies that arise at Customer Council.

To provide ongoing advice to Strategic Board on the value to the ACT Government of the Shared Services model.

- This will include (but not limited to) metrics and analysis from benchmarking, customer surveys as well as effective whole of government strategic and operational outcomes related to the partnership between Shared Services and Directorates.

2.30 The revised terms of reference for the Customer Council made more explicit its role for the strategic direction and oversight of Shared Services. It was explicitly tasked with ‘supporting Strategic Board to provide whole of government leadership and strategic direction’ and was identified as the key forum for debate and discussions on matters including:

- ‘the strategic outcomes for whole of government, systems, processes and initiatives connected to services that are or could be supported by SharedServices’;
- ‘[ensuring] that service expectations are clearly defined and met, and value for money is achieved’; and
- ‘the determination of priorities for Shared Services’.

2.31 The Customer Council continued to have a role in identifying and monitoring key performance indicators but no longer had a role in relation to ‘activities related to Shared Services risk registers, business continuity plans, disaster recovery plans, and annual strategic planning’.

2.32 The revised terms of reference document noted ‘the decisions made by the Customer Council are informed by three Collaboration Forums covering the corporate service areas of ICT, HR and Finance’.

#### *Revised terms of reference for collaboration forums*

2.33 The revised terms of reference document also clearly articulated a role and objective for the collaboration forums:

The objective of each forum is to:

- Enhance whole of government collaboration;
- Provide whole of government subject matter expertise to drive initiatives, efficiencies and performance;
- Develop and monitor high-level strategic indicators which contribute to the achievement of strategic outcomes expected by government, delivered by Shared Services in partnership with Directorates; and
- Provide ongoing advice to Customer Council on progress against these objectives.

2.34 The revised terms of reference document explicitly tasked the collaboration forums with responsibility for tactical oversight of operational key performance indicators including responsibility to ‘develop and monitor high-level strategic indicators which contribute to the achievement of strategic outcomes expected by government’.

2.35 In May 2016 the Strategic Board endorsed revised governance arrangements for the oversight of Shared Services and its delivery of services to ACT Government directorates

and agencies. The Services Partnership Agreement was replaced with revised and strengthened roles and responsibilities for the Customer Council and the collaboration forums, which were documented in each body's terms of reference. According to the Strategic Board paper that proposed the revised governance arrangements, 'the existing [Services Partnership Agreement] arrangement is replaced by updated Terms of Reference for the Customer Council and each of the collaboration forums'. The revised terms of reference for the Customer Council made more explicit its role for the strategic direction and oversight of Shared Services as it was explicitly tasked with 'supporting Strategic Board to provide whole of government leadership and strategic direction'.

### Customer Council performance and effectiveness

#### *Customer Council meetings and attendance*

2.36 The operational oversight and decision making of the Customer Council was considered through a review of minutes of meetings from June 2015 to May 2019. Over this time a standard agenda was prepared and followed in relation to Customer Council meetings including:

- a review of actions arising from previous meetings;
- consideration of Strategic Board papers and feedback;
- consideration of reports from collaboration forums;
- review and discussion of Shared Services' strategic direction, through a discussion of progress against the Shared Services Strategic Plan;
- project updates; and
- key performance indicators quarterly reporting.

2.37 A review of Customer Council minutes between 2016 and 2018 shows that not all meetings proceeded as planned and members from directorates and agencies were often absent or sent lower level proxies in their place. The expectation of the Customer Council was that it met approximately every three months, and that Deputy Directors-General (or equivalent) and representatives from collaboration forums would attend these meetings. Despite these expectations, it was evident that:

- some meetings were delayed by between two and three months;
- on average across the meetings, a third of agency representatives were absent or sent a lower level proxy; and
- on some occasions, the majority of agency representatives were either absent or represented by a proxy.

#### *Generation of actions and deliverables and processes for follow-up*

2.38 There were also repeated instances where items requested by the Chair of the Customer Council or other forum members were not prepared or tabled, or where items were closed

with inadequate or no explanation. A review of meeting minutes shows it was also difficult to track action items from one meeting to the next.

- 2.39 By way of example, Customer Council requested a case study on the conduct and implementation of the Kronos time recording project. An action item was generated to produce the case study but it was never developed or tabled. Despite this, the action item from the agenda was closed. There is no evidence of how the action item was addressed and no documented record of what was done to close it.

#### *Achievement of Customer Council in discharging its responsibilities*

- 2.40 Paragraph 2.30 of this report describes the Customer Council's responsibilities under the terms of reference approved by the Strategic Board in May 2016. As they relate to this audit, key responsibilities were:

- determining strategic outcomes for HR and finance service delivery (both currently and potentially provided by Shared Services);
- verifying that expectations of Shared Services were clearly defined and met;
- considering Shared Services' achievement of value for money; and
- determining priorities for Shared Services.

- 2.41 The Customer Council's achievements in monitoring strategic outcomes for HR and finance service delivery was mixed. A review of Customer Council meeting minutes shows it was able to debate and influence some activities, such as cross-agency debt management arrangements, but for other activities it was primarily a forum for information sharing rather than decision-making.

- 2.42 Throughout the period under review, questions were repeatedly raised on the role of Customer Council. While the HR and Finance collaboration forums were able to establish annual work plans, the Customer Council had difficulty with clearly expressing its future plans for service delivery improvement while questions over its role remained.

- 2.43 The main activities of the Customer Council to verify that the expectations of Shared Services were clearly defined and met were through the review of performance information on HR and finance services. This occurred through reports received directly from Shared Services, as well as through advice from the chairs of the HR and Finance collaboration forums. Results from customer satisfaction surveys were also presented to the Customer Council.

- 2.44 The Customer Council provided limited advice to Strategic Board on the achievement of value for money by Shared Services. While work was undertaken to clarify Shared Services' cost model by Strategic Board, the underlying value for money of services was not actively considered by Customer Council. Consideration of the results of Shared Services' benchmarking exercises was limited.

- 2.45 A review of Customer Council meeting minutes also shows mixed results in terms of its discharge of its responsibilities. The Customer Council's efforts to determine priorities for Shared Services was not consistently demonstrated. It had some impact in monitoring collaboration forum activities, but passive involvement when customer satisfaction surveys were presented for consideration, when reviewing Shared Services' strategic direction, or in considering risk management and business continuity arrangements.
- 2.46 The Customer Council's terms of reference also include matters relating to a positive and professional workplace culture for and between all agencies. Representations from agencies involved in the audit advised that Customer Council did make achievements in this area, particularly through the collaboration forums it monitored.
- 2.47 At a Customer Council meeting of 6 July 2018, the chair asked members for feedback on the effectiveness of the current structure, the council and the Collaboration Forums. No members provided feedback.
- 2.48 The Customer Council was not operating effectively as a governance and oversight mechanism for Shared Services' delivery of human resources and finance services to ACT Government agencies. Between 2016 and 2018 not all meetings proceeded as planned and members from directorates were often absent or sent lower level proxies in their place. On repeated occasions items requested by the Chair of Customer Council or other forum members and other actions were not prepared, not tabled or were closed with inadequate or no explanation. A review of Customer Council meeting minutes also shows mixed results in terms of its discharge of its responsibilities. The Customer Council's efforts could be seen in some cases, such as monitoring collaboration forum activities, but it did not provide strong leadership and direction for reviewing Shared Services' strategic direction. While it was able to effectively debate and influence some activities, such as cross-agency debt management arrangements, for other activities it was an information sharing forum and not a decision-making body. Throughout the period under review, questions were repeatedly raised on the effectiveness of Customer Council. While the HR and Finance collaboration forums were able to establish annual work plans, the Customer Council had difficulty with clearly expressing its future plans for service delivery improvement while questions over its effectiveness remained.

### **Collaboration forums performance and effectiveness**

- 2.49 The effectiveness of the collaboration forums was considered as part of the audit, both through a review of minutes and other documents of these forums, and through discussions with agencies.
- 2.50 The main HR forums that were considered were the HR Collaboration Forum, which was later incorporated into the HR Directors Forum, as well as the HRIMS Program Committee. The Finance Collaboration Forum was examined for finance services. These forums were chaired by partner agency representatives, had a broad membership of specialist HR directors and chief finance officer level partner agency staff, and appropriate representation from executive Shared Services staff. To recognise the importance of the

expertise that members of each forum were expected to contribute, the terms of reference for each forum confirmed that:

Members may appoint a proxy to attend meetings in their stead if urgent requirements or leave periods necessitate it. The Forum's objectives will only be achieved with continued commitment from both directorates and Shared Services senior management, hence frequent use of proxies is discouraged.

2.51 The objectives of the collaboration forums were broadly to:

- enhance whole of government collaboration;
- provide whole of government subject matter expertise to drive initiatives, efficiencies and performance;
- develop and monitor high-level strategic indicators which contribute to the achievement of strategic outcomes expected by government, delivered by Shared Services in partnership with directorates; and
- provide ongoing advice to Customer Council on progress against these objectives.

2.52 To achieve their objectives, each of the collaboration forums had an annual work plan, with the Finance Collaboration Forum having plans for 2016-17 and 2017-18 and the HR Collaboration Forum having a plan for 2016-17 and for calendar year 2018. Each of these plans listed specific tasks and projects which the forum was expected to discuss, action and report on progress to the Customer Council. The Finance Collaboration Forum plans had a clear forward agenda with tasks identified for each meeting, while the 2018 plan for the HR Collaboration Forum documented expected outcomes for the projects it was monitoring.

2.53 Collaboration forum progress against each of their objectives was generally well demonstrated, particularly in the earlier periods reviewed. In 2016, the HR Collaboration Forum reported project plans for each of its priority projects to Customer Council. Both collaboration forums reported action plans during 2016 and 2017 which demonstrated ongoing progress in a structured format. These action plans documented in brief what specific Shared Services performance measures were being focussed on, the progress in achieving expected targets, and activities being done to progress service improvement. Minutes of these forums in 2018 confirmed the collaboration forums were progressing their agendas on key projects and working across forums on relevant activities.

2.54 With respect to collaboration forum achievement of whole of government collaboration, partner agency staff commented in discussions with the audit team that these forums were valuable in being able to talk with Shared Services about matters related to HR and finance services. They also connected agency and Shared Services executives to provide a separate informal channel outside of the forums to raise service delivery issues. This view was also shared by Shared Services executives, who commented that completing individual project initiatives such as the Accounts Payable Invoice Automation System heavily depended on the success of these forums.

2.55 The Finance Collaboration Forum and HR Collaboration Forum (and other project-specific forums) were effective forums for Shared Services and directorates and agencies to discuss service initiatives and issues associated with service delivery. The forums developed annual work plans, which listed specific tasks and projects which the forum was expected to discuss, action and report on progress to the Customer Council. Collaboration forum progress against each of their objectives was generally well demonstrated, particularly in the earlier periods reviewed. In 2016, the HR Collaboration Forum reported project plans for each of its priority projects to Customer Council and both collaboration forums reported action plans during 2016 and 2017 which demonstrated ongoing progress in a structured format. Minutes of these forums in 2018 confirmed the collaboration forums were progressing their agendas on key projects and working across forums on relevant activities.

### Revised governance roles (July 2019)

#### Quality and Measurement Advisory Committee

2.56 In July 2019 the Customer Council was replaced by the Quality and Measurement Advisory Committee. The establishment of the Quality and Measurement Advisory Committee followed the conduct of a review into the Shared Services funding model, which was the basis for Shared Services' shift from cost recovery to direct appropriation for HR and finance services from 1 July 2019. The *Shared Services Cost Model Review: Final Report* (November 2018) made six multi-part recommendations, including a recommendation to refresh Shared Services' governance arrangements:

Shared Services with Directorates proceed to establish an appropriate advisory governance structure by April 2019 which is chaired by a Directorate Executive to monitor the performance of services from shared services and have an ability to discuss and agree a forward plan for the effective administration of service elements over time.

2.57 The Quality and Measurement Advisory Committee's terms of reference provide some context and background for its establishment and note:

The Strategic Board requested a new governance body be established, chaired by a Director-General, the body would provide assurance that appropriate quality and quantitative performance measures are in place, and using these measures, assure the performance of the Shared Services function.

2.58 The Quality and Measurement Advisory Committee's terms of reference confirm its role in the governance of Shared Services on behalf of directorates and agencies:

There are two primary functions of the Quality and Measurement Advisory Committee:

1. Seek to ensure that the quality and timeliness of services provided meets customer expectations, supporting Directorates and Agencies to provide critical services to the community. The Committee will agree appropriate Key Performance Indicators (KPIs) to monitor the performance of Shared Services on behalf of its customers, ensuring that the Shared Services model continues to provide value for money for the Territory. The KPIs will be agreed by the Committee and approved by Strategic Board. Performance monitoring will be facilitated by quarterly reporting of achievements against the KPIs. Any proposed changes to KPIs will require the approval of Strategic Board.

2. Propose and/or endorse strategic initiatives for consideration by Strategic Board that will enhance the effectiveness and/or capability of shared services delivery for the benefit of the Territory as a whole.
- 2.59 The Quality and Measurement Advisory Committee's terms of reference are simpler, when compared to the terms of reference developed for the Customer Council in 2016, and explicitly focused on the role of the body in relation to:
- overseeing the performance of Shared Services, specifically with respect to quality and timeliness of services, in meeting customer expectations and providing value for money services. This includes the setting and monitoring of key performance indicators; and
  - proposing and endorsing strategic initiatives.
- 2.60 A key feature of the Quality and Measurement Advisory Committee is expected to be its senior level of representation:
- Membership of the Committee will include representatives from all Directorates. The Quality and Measurement Advisory Committee will include representation from two Director-Generals/CEOs, with the Chair and Deputy Chair roles being filled at Director-General/CEO level. The Deputy Under Treasurer Commercial Services and Infrastructure will be a member of the Committee with the Executive Group Manager Shared Services a permanent observer.
- 2.61 The Quality and Measurement Advisory Committee's terms of reference also identify committee rules for the attendance of proxies, noting that members must:
- Provide a nominated Executive proxy to attend the meeting if the member is unable to attend. The nominated proxy is to provide relevant comments/feedback of the member they are representing to the attended meeting. The Chair is to be informed of the attendance of any proxies at least one working day prior to the scheduled meeting.
- 2.62 The Quality and Measurement Advisory Committee has met four times between July 2019 and December 2019. At these meetings the committee has:
- established and reviewed process maps for Shared Services' HR and finance service delivery;
  - established a service catalogue for HR, finance, records and related customer support functions;
  - agreed key performance indicators to monitor Shared Services' performance against HR, finance, records services as well as overall service indicators; and
  - considered issues to progress the management of whole of government receivable debts.

### Collaboration forums

- 2.63 Following the implementation of the Quality and Measurement Advisory Committee in July 2019 the roles and responsibilities of the collaboration forums have also been revised.

- 2.64 The Finance Collaboration Forum will continue, and the HR Collaboration Forum was replaced by a HR Directors Group. An October 2019 Strategic Board paper that considered the terms of reference of the Quality and Measurement Advisory Committee and proposed key performance indicators for Shared Services' activities noted:

The Finance Collaboration Forum and HR Directors Group will continue to monitor operational [key performance indicators] and work collaboratively with Shared Services to improve whole-of-government outcomes.

- 2.65 However, the collaboration forums are no longer recognised as part of the documented governance structure overseeing the activities of Shared Services, with the Quality and Measurement Advisory Committee only expected to be supported by a Services and Cost Model Sub Committee, the purpose of which is to 'further clarify and refine the Shared Services cost model in relation to ICT Services'.

### *Dual accountabilities and governance*

- 2.66 Since July 2019, Shared Services has had dual accountabilities, and its governance is mixed between a purchaser-provider model and appropriated agency model. Since 1 July 2019, Shared Services' funding for delivering human resources and finance services is through direct appropriation, for approximately 90 per cent of the total cost of services. It should be noted that Shared Services' funding for ICT services, which accounts for the majority of its funding, continues to be on a cost-recovery basis. Directorates and agencies do not have a role in reviewing the price of services funded through appropriation and any future changes to output pricing are to be determined through the annual budget process. The accountability mechanism for appropriated agencies is through strategic and accountability indicators presented in budget statements, and reviewed through the budget estimates process. There is only one accountability measure in the Chief Minister, Treasury and Economic Development Directorate's budget statements that relates to Shared Services' relative price. Should there be future changes in service levels through the budget process, directorates and agencies may have limited opportunity to influence this outside of this activity. Directorates and agencies would also have limited choices to achieve desired service levels other than directly source additional capacity through their own resourcing. However, Shared Services retains the features of a purchaser-provider governance structure through the Quality and Measurement Advisory Committee, which has agency representatives reviewing its performance against agreed performance indicators. Other directorates and agencies which are appropriated for their activities do not have this accountability structure.
- 2.67 In July 2019 the Customer Council was replaced by the Quality and Measurement Advisory Committee. The Committee's terms of reference are simpler, when compared to the terms of reference developed for the Customer Council in 2016, and explicitly focused on its role in overseeing the performance of Shared Services, specifically with respect to quality and timeliness of services, in meeting customer expectations and providing value for money services, and proposing and endorsing strategic initiatives. The committee is expected to have high-level representation, having its Chair and Deputy Chair roles filled at the Director-General level, and clearer rules associated with representation at the meeting by

proxies. Since its establishment in July 2019 the committee has met four times and there is evidence of its activities to improve Shared Services' accountability and service delivery arrangements. The present governance arrangements for Shared Services introduce dual accountabilities that are a hybrid of purchaser-provider and appropriated agency approaches that are not featured in other ACT Government appropriated agencies.

## Service delivery specifications

### Services Partnership Agreement (2013)

- 2.68 The roles and responsibilities of Shared Services, directorates and agencies were documented as part of a service catalogue for the purpose of the Services Partnership Agreement in 2013. The service catalogue sought to identify:
- outcomes sought from the services;
  - roles and responsibilities between Shared Services, directorates and agencies for the services and different activities; and
  - key performance indicators for the services.
- 2.69 The service catalogue sought to identify responsibility for different parts of the service activity, i.e. whether responsibility lay with Shared Services or directorates/agencies.
- 2.70 Table 2-1 shows the service schedules that were in the Services Partnership Agreement that were of relevance to finance and HR services.

**Table 2-1 Finance and Human Resources service schedules – Services Partnership Agreement (2013)**

Finance	Human Resources
1. Accounts Payable	1. Payroll and Personnel
2. Accounts Receivable	2. Recruitment
3. Asset Register Management	3. Executive Engagement and Contracts
4. Cash Management	4. Information and Data
5. Finance Management Information System	5. Record Services
6. Financial Ledger Management	6. Salary Packaging (Optional Service)
7. Financial Statements – Annual and Monthly Reports	
8. Taxation Management	
9. Budgeting (Optional Service)	

Finance	Human Resources
10. Internal Management Reporting (Optional Service)	

Source: Services Partnership Agreement

2.71 When the Services Partnership Agreement was discontinued in May 2016, the Customer Council was responsible for maintaining the service catalogue and description of shared services activities. The May 2016 Strategic Board paper proposing revised terms of reference for the Customer Council noted:

Customer Council will have ownership of the list of Roles and Responsibilities of Shared Services and the relevant parts of directorates and the revised key performance indicators that currently reside in the [Services Partnership Agreement].

2.72 There is no evidence of the Customer Council’s activities in relation to this requirement. After the Service Partnership Agreement’s cessation in 2016, these roles and responsibilities were extracted and retained as working documents. Shared Services advised that these documents remained relevant and are published on Shared Services’ internal website. However, these documents have not been updated or reviewed since the Service Partnership Agreement ceased.

*Lack of clarity for roles and responsibilities*

2.73 A review of the roles and responsibilities documents and follow up discussions with Shared Services and directorates/agencies selected for the audit, suggest that the roles and responsibilities documents did not reflect the current interactions and responsibilities of each party, particularly for more complex services. This was supported by feedback from the five directorates/agencies considered as part of the audit. Their feedback suggested there was no clear understanding within agencies of who is responsible for each element of the various processes underpinning some of the services being delivered, including those services relating to financial statements, taxation and recruitment.

2.74 By way of example, the following deficiencies were identified following discussions with Shared Services and directorates/agencies:

- for recruitment services, job placement services and administration of excess officers, the roles and responsibilities of directorates and agencies were not an accurate reflection of current service delivery as the description of the services provided was out of date;
- for financial statements end of year services, the responsibility for quality assuring the preparation of financial statement work papers was not articulated; and
- for budgeting and internal management reporting, no responsibilities were identified.

2.75 One directorate identified issues regarding roles and responsibilities in relation to taxation management, specifically in relation to fringe benefits tax returns, and that this resulted in confusion over responsibilities for completing the tax return.

- 2.76 Budgeting is noted as an optional service within the service schedules, with roles and responsibilities for budgeting services noted as 'TBC' (to be confirmed). One agency advised that there was confusion over responsibilities relating to reporting budget information to the Treasury and that this led to a lack of timeliness in providing this information.
- 2.77 The roles and responsibilities of Shared Services and directorates and agencies were documented as part of a service catalogue for the purpose of the Services Partnership Agreement in 2013. The service catalogue sought to identify responsibility for different parts of the service activity, i.e. whether responsibility lay with Shared Services or directorates/agencies. When the Services Partnership Agreement ceased in 2016 the Customer Council was responsible for maintaining the service catalogue and the description of shared services activities. It is not clear what action the Customer Council took in relation to this requirement as there is no evidence that the documents were updated or reviewed. In July 2019, however, the Quality and Measurement Advisory Committee requested Shared Services develop process maps for its services. A review of the roles and responsibilities documents, and follow up discussions with Shared Services and directorates/agencies selected for the audit, suggest that the roles and responsibilities documents did not reflect the current interactions and responsibilities of each party, particularly for more complex services such as financial statements, taxation and recruitment activities.

## Business process documentation

- 2.78 At its first meeting on 1 July 2019, the Quality and Measurement Advisory Committee discussed key performance indicators for Shared Services' activities. In doing so the committee also discussed the development of process maps to assist in identifying roles and responsibilities between Shared Services and directorates/agencies:

The Committee suggested the development of process maps to assist with identifying Shared Services' and Directorates' responsibilities in relation to HR, Finance and Records Management Services. These process maps could then be used to decide the elements of each process that would be subject to KPIs.

- 2.79 Shared Services was assigned with responsibility for developing such documentation and circulating for review prior to the next committee meeting.

## Service Catalogue

- 2.80 In August 2019, Shared Services prepared a *Draft Services Catalogue* for HR, finance, records management and related customer support functions. According to the *Draft Services Catalogue* (August 2019):

This document provides a service catalogue for HR, Finance and Records services provided by ACT Government Shared Services. The document includes workflows and information regarding roles and responsibilities for each service.

- 2.81 In relation to HR and finance services, the *Draft Services Catalogue* (August 2019) included services such as:

- HR services
  - Payroll services
  - HR systems, information and reporting
  - HR21
  - Position management
  - HR governance
  - Recruitment
- Finance services
  - Accounts payable
  - Accounts receivable and debt management
  - Financial reporting
  - Banking
  - Financial applications support
  - Salary packaging
  - Tax support

2.82 For each of these service activities the *Draft Services Catalogue* (August 2019) articulated and documented:

- a description of the function and services;
- roles and responsibilities for the service activities, assigned to either directorates/agencies or Shared Services;
- a description of factors influencing service delivery;
- a description of the 'strategic direction' of the service activities;
- a description of key performance indicators associated with the services, as well as 'internal quality measures'; and
- a series of workflow process maps for key activities covered by the services. The process maps describe in some detail the activities undertaken as part of the service activity, with the process activity assigned to the customer/employee, the directorate/agency or Shared Services.

2.83 At its first meeting on 1 July 2019, the Quality and Measurement Advisory Committee discussed key performance indicators for Shared Services' activities. In doing so the committee also discussed the development of process maps to assist in identifying roles and responsibilities between Shared Services and directorates/agencies. Shared Services has since prepared a Draft Services Catalogue for HR, finance, records management and related customer support functions. According to the Draft Services Catalogue (August 2019) 'the document includes workflows and information regarding roles and responsibilities for each service'. The draft catalogue articulated and documented a range of information including: a description of the function and services; roles and responsibilities for the service activities (assigned to either directorates/agencies or Shared Services); a description of factors influencing service delivery; and a series of workflow process maps for key activities

covered by the services. The *Draft Services Catalogue* (August 2019), once agreed with relevant directorates and agencies, is expected to provide a sound basis for the ongoing management and accountability of Shared Services' delivery of services as originally intended by the Services Partnership Agreement.

**RECOMMENDATION 1 SERVICES AGREEMENT**

Shared Services, in cooperation with directorates and agencies and under the auspice of the Quality and Measurement Advisory Committee, should develop and agree a services agreement (or similar document) with directorates and agencies which:

- a) identifies and documents respective roles and responsibilities;
- b) documents mechanisms that govern service delivery and assurance;
- c) performance management arrangements; and
- d) how often the agreement will be reviewed.

The recently developed *Draft Services Catalogue* (August 2019) commissioned by the Quality and Measurement Advisory Committee could serve as a foundation for the agreement.



## 3 SERVICE DELIVERY

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- 3.1 This chapter discusses administrative arrangements in place between Shared Services and ACT Government directorates and agencies in support of the delivery of human resources (HR) and finance services. The effectiveness of performance management arrangements for HR and finance services is also considered in this chapter, including the processes and systems underpinning performance management reporting.

### Summary

### Conclusions

Shared Services' performance is primarily reviewed and appraised through the Customer Council's (Quality and Measurement Advisory Committee) consideration and review of key performance indicators, annual customer satisfaction surveys and benchmarking reviews.

Key performance indicators have been documented for the delivery of HR and finance services since the establishment of the Services Partnership Agreement in 2013. The key performance indicators have been changed and amended over time and, since October 2019, have had a greater focus on Shared Services' processes and its performance with respect to timeliness, quality, customer satisfaction and value for money. The revised key performance indicators are expected to provide a greater opportunity for directorates and agencies to obtain assurance of Shared Services' service delivery performance.

The annual customer satisfaction survey provides useful information on Shared Services' performance from the perspective of users. Results from the customer satisfaction survey have been discussed in various governance and oversight forums and are expected to have greater visibility through the recently revised key performance indicators. Recent customer satisfaction surveys have shown mixed results including a continuing decline in satisfaction with HR services (since 2015) and an increase in satisfaction with finance services between 2018 and 2019.

The most recent exercise to benchmark Shared Services' performance, conducted in 2018 and reported in January 2019, does not provide sound and useful information on Shared Services' performance. The methodology to perform the benchmarking exercise did not have sufficient oversight and involvement from directorates and agencies and the relevance of the organisations against which Shared Services was benchmarked was not clear. Many of the measures against which Shared Services is benchmarked are not relevant and the reporting of results does not give an accurate view of its performance. Considerable attention needs to be given towards developing a robust methodology and reporting processes for future benchmarking exercises.

## Key findings

	Paragraph
<p>Shared Services has developed a sound framework for the delivery of transactional HR and finance services to ACT Government directorates and agencies. This includes the <i>Shared Services Customer Service Charter</i>, policy and procedural guidance for its Service Desk staff and training and support processes for its Service Desk staff, including quality assurance processes. More complex HR and finance activities are also supported by specialist HR, finance and recruitment teams in Shared Services, specifically to assist directorates and agencies' strategic HR and finance teams. Feedback from representatives of some directorates and agencies suggested that processes for escalating and resolving issues with more complex services were not clear and were inconsistently applied.</p>	3.18
<p>Shared Services has a strategic risk register to document the controls and mitigation strategies that it uses to manage the risks to achieving its organisational objectives. The risks are documented at a high-level, and the risk description includes a range of activities and business processes that may affect or contribute to the risk, or be a control or mitigating factor for the risk. These descriptions are light in detail in terms of their influence on the risk and some of the processes and activities that were identified to treat risks were not yet implemented. The risks identified in the strategic risk register for Shared Services are not allocated to an individual risk owner, nor are the risk controls or actions identified in the treatment plans. In relation to operational risks Shared Services has a Shared Services Finance risk register (marked as draft and dated March 2016) and a Shared Services HR risk register (appears to have been last updated and signed off in July 2016). The connection between the business unit or branch level risk plans and the strategic risk register in Shared Services was not clear. Business unit level risk management plans were not being used to track risk management activities by the managers of these functions.</p>	3.31
<p>Key performance indicators for Shared Services' delivery of services were developed and implemented as part of the Services Partnership Agreement in 2013. 'Shared key performance indicators' were developed, which were intended to be a shared responsibility between Shared Services and directorates and agencies. 'Cascading key performance indicators' were also developed, which were only examined if the shared key performance indicators were not met. Fifty-seven shared and cascading key performance indicators were developed for the finance services and 19 shared and cascading indicators were developed for the HR services. The large number of key performance indicators in the Services Partnership Agreement and the shared nature of the key performance indicators made it difficult for Customer Council to keep Shared Services accountable for its performance in HR and finance service delivery. The shared indicators diluted accountability and responsibility for Shared Services' performance.</p>	3.38
<p>With the cessation of the Services Partnership Agreement in 2016, a significantly reduced set of key performance indicators was subsequently adopted and reported to Customer Council. These indicators were reviewed and revised on a number of</p>	3.51

occasions by the collaboration forums and the Customer Council. An Audit Office review of the key performance indicators for finance services and HR services as at May 2019 shows:

- the key performance indicators did not consistently consider service quality and did not sufficiently address customer satisfaction;
- the key performance indicators did not cover all elements of Shared Services business in relation to customer engagement and satisfaction;
- there were no key performance indicators that measured progress against strategic priorities and measures, and implementation of strategic directions; and
- there was a lack of alignment between the Shared Services strategic direction and major activities and projects and the key performance indicators for HR and performance services.

A key priority of the Quality Measurement and Advisory Committee on its commencement in July 2019 was to review and agree on revised key performance indicators for Shared Services and its delivery of services. The minutes of its first meeting on 1 July 2019 indicated that directorates and agencies were of the view that the key performance indicators were not relevant to the services provided. The Quality and Measurement Advisory Committee requested that the new indicators focus on: Timeliness, Quality, Customer satisfaction and Value for money. An Audit Office review of key performance indicators for finance services and HR services as at October 2019 shows:

3.58

- improvements have been made to the completeness of reported service measures with recruitment services now including all key stages of the process; and
- performance measures focus on activities that are within Shared Services' responsibility. This focuses the Quality and Measurement Advisory Committee on its responsibility to oversight Shared Services' performance. Measures are still available and reported on directorate and agency performance for activities within their responsibility.

The Chief Minister, Treasury and Economic Development Directorate conducts an annual customer satisfaction survey among ACT Public Service staff 'to assess the degree of satisfaction with Shared Services'. Satisfaction with HR services has been steadily declining since 2015, with an overall satisfaction rate for 2019 of 67 percent down from 70 percent in 2015. Changes to the methodology for reporting satisfaction with finance services makes a similar comparison difficult. However, it is apparent that the overall satisfaction rate for different finance services have increased between 2018 and 2019 (Accounts Receivable 63 percent to 73 percent, accounts payable 66 percent to 72 percent and the Accounts Payable Invoice Automation Service activity from 40 percent to 56 percent). The low results for the Accounts Payable Invoice Automation Service relates to significant shortcomings associated with its implementation by Shared Services in change management and communication with users, with comments from directorates and agencies noting issues with the lack of training, data accuracy, timeliness of processing, difficulty of using the system and lack of communication. The identification and reporting of key performance indicators associated with customer satisfaction to the Quality and

3.72

Measurement Advisory Committee since October 2019 is expected to provide a means by which the performance of Shared Services can be reviewed and discussed in an effort to identify service delivery issues and potential improvements.

Periodic benchmarking exercises of Shared Services' human resources and finance services are relied on to demonstrate Shared Services' efficiency. The reported results of the 2018 benchmarking review do not provide a sound basis for assessing the efficiency of Shared Services: 3.95

- benchmarking results are presented with reference to the 'Global Public Sector Percentile', i.e. a 'Global Public Sector Peer Group' comprising 290 entities. Presenting the benchmarking results against the Global Public Sector Peer Group weakens the value of the benchmarking exercise as it impairs the direct comparability of ACT results;
- further benchmarking is reported to be performed with reference to an 'Australian and Canadian Public Sector Peer Group' of 31 organisations which purports 'to provide high level of comparability to Australian Public Sector Organisations'. The organisations are varied and diverse in nature and include a mix of Australian Government agencies and their business units, Australian state and territory government agencies and a range of municipal, provincial and federal Canadian agencies and other entities which do not appear to be relevant or for which it is unclear what entity is being considered. Less than half of the HR measures and finance measures are reported against entities selected from this pool. There is no further information in the report with respect to which of the 31 agencies were selected for benchmarking for the different measures. This does not allow for transparency in the benchmarking exercise;
- most benchmarking results are presented against an 'Adjusted Global Public Sector Quartile', which purports to reflect the scope of services of Shared Services with respect to directorates and agencies. The proportion of responsibility between Shared Services and the directorates and agencies was estimated by Shared Services and was not discussed and agreed with directorates and agencies. It would be appropriate given the role of directorates and agencies in jointly delivering human resources and finance services to involve them in this process;
- in reporting the benchmarking results against an 'Adjusted Global Public Sector Quartile', performance is reported as follows (outperforming – top 25 percent (i.e. top quartile), aligned – 25 to 75 percent (i.e. middle two quartiles) and underperforming – bottom 25 percent (i.e. bottom quartile). Using this scale a measure may be identified as 'aligned' but be below average;
- a number of measures against which Shared Services is benchmarked for the purpose of this exercise do not relate to the performance of Shared Services and its delivery of services to ACT Government agencies, e.g. percentage of new hire retention after 12 months. The

inclusion of these measures in the report is not useful to the reported performance of Shared Services and its activities;

- half of the HR and finance measures used for benchmarking are ACT Government revenue based, e.g. 'number of HR FTEs per \$1 billion revenue' or 'total HR cost per \$1,000 revenue' and are based on total Territory revenue of \$4.5 billion. The relevance of revenue-based measures is questionable as the link between the magnitude of revenue and its impact and relevance to Shared Services and its activities is weak. More relevant measures would be based on the number of creditors or debtors within the scope of Shared Services' activities or the number of invoices processed;
- no benchmarking comparisons are made with commercial providers despite intentions indicated in Chief Minister, Treasury and Economic Development Directorate planning documents. The applicability and reasons for differences in results would need to be analysed to satisfy competitive neutrality requirements.

The Customer Council was briefed on the results of the benchmarking review at its meeting of 10 May 2019 and the minutes record 'The Council noted the papers as read'. The meeting minutes record that there were eleven apologies for the meeting from directorates and agencies and eight attendees at the meeting; five attendees from Shared Services and three attendees from directorates and agencies (two of these attendees were proxies). The results of the benchmarking review are reported through an Accountability Indicator '% of measures in line or exceeding benchmark peer group', with an associated target of 80 percent. Aside from this, there is no further documentation with respect to the benchmarking review, its results, how it will be reviewed or further analysed to drive performance improvements.

3.96

## Service delivery arrangements

### Shared Services Service Desk

- 3.2 Shared Services' primary channel for service delivery is the Service Desk. The Service Desk refers to the teams of client service officers that respond to queries and requests of ACT Public Service employees. The Service Desk teams are supported by a system called ServiceNow.
- 3.3 The Service Desk is contactable via telephone, email and through a web portal that is open to ACT Government staff. The Shared Services web page provides generic details for accessing services through the Service Desk. Included on this page and the Shared Services Customer Service Charter is a generic contact number in addition to nine email addresses relating to the different service offerings, i.e. separate email addresses for finance services, human resource services etc. If there are any issues or complaints regarding the Service Desk, the *Shared Services Customer Service Charter* includes a feedback form and customer relations email address.

## Shared Services Customer Service Charter

3.4 The *Shared Services Customer Service Charter* explains Shared Services' role in serving directorates and agencies. The charter also includes information on customer service principles such as:

- responsiveness measures;
- quality service expectations;
- enquiries management; and
- contact details for different services offerings via website, email or phone.

3.5 The *Shared Services Customer Service Charter* seeks to outline service level standards and expectations. For example, the Charter states:

IF YOU USE OUR WEBSITE, YOU CAN EXPECT:

- To be able to transact with us when and where it is most convenient for you
- The website to be easy to use, with intuitive navigations and customised content so you can quickly find what you need
- To be able track your request from commencement to completion
- That you can access our information using any web-connected device, any time

IF YOU EMAIL US AT ONE OF OUR EMAIL ADDRESSES BELOW OR CALL US ON 79000, YOU CAN EXPECT:

- Our staff to be professional, knowledgeable and helpful
- To receive a comprehensive response that answers the question/s you have asked
- To be able to access phone support between 7.30am–6pm for ICT services, and 8.30am–5pm for all other services, on public service working days
- To be able to reach our afterhours support service for urgent ICT issues outside of these hours by dialling 79000 and following the prompts

3.6 The *Shared Services Customer Service Charter* also outlines Shared Services' responsiveness principles:

- We will respond promptly to your enquiries through our phone and online services
- We aim to answer phone calls within 30 seconds and respond to phone messages within one working day, emails within no more than three working days, mail correspondence within 10 working days and interruptions to ICT services in accordance with our ICT incident priority system. Our response and resolution timeframes provide more detail on timeframes for each of our services
- We will respond to all feedback within one working day
- We will provide accurate and up to date information, when it is available and when you need it
- When we can't provide a solution or answer immediately, we will keep you updated as we make progress with your enquiry

3.7 The *Shared Services Customer Service Charter* provides channels for customers to raise issues with service delivery via a feedback form or sending an email to a customer relations mailbox. It also expects customers to contact Shared Services if they wish to make a complaint due to errors or inappropriate acts, but the channel for complaints is not specified. Despite the arrangements in the charter, agencies interviewed in the audit did not understand the processes to raise issues with HR and finance service delivery. Feedback from agencies suggested they wanted clearer and more direct access to senior responsible Shared Services staff with the authority to resolve service issues.

### Policy and procedures

3.8 Shared Services has some policy and procedural guidance in place for its Service Desk staff. Policies include:

- *HR Service Desk – In Scope and Out of Scope Enquiries* (June 2015) - provides guidance on what enquiries the HR Service Desk can provide advice on;
- *Voice Recording Policy* (v1.0 – June 2015) – communicates the intent and application of recording calls received by the Service Desk; and
- *Service Desk Policy for Dealing with Abusive Phone Calls* (v.1.0 – August 2014) – provides guidance to Service Desk staff on what constitutes an abusive phone call and aims to minimise the adverse impact on affected staff members by providing written procedures for escalation or termination of such phone calls.

3.9 The three policies have not been reviewed since being written.

3.10 Shared Services also has procedures available to support HR and finance Service Desk operations. This includes:

- finance, payroll and salary packaging processing guidance;
- guidance on enterprise agreements, common transactions and requests, and a repository of forms for HR activities;
- call and email scripts;
- system guidance for Shared Services' finance, HR, and service management information systems; and
- Service Desk standard operating procedures.

3.11 The Service Desk standard operating procedures have been built over time and incorporate lessons learned from processing errors, advice from senior managers on common queries or repeat issues from calls to the Service Desk. Expectations for concisely recording interactions, resolution of requests and managing privacy is also included.

### Training and support for Service Desk staff

3.12 Shared Services has documented training processes for its Service Desk staff. There is a new staff training guide and checklist, titled *Shared Services HR & FINANCE Service Desk - New Staff*, which includes:

- an overview of the Service Desk, what it does and what is 'In scope' and 'Out of scope' of its activities;
- information on how the performance of the Service Desk is measured;
- an overview of expectations of Service Desk staff;
- an overview of training activities broken down into two streams, with a focus on Stream One in the first three months and a focus on Stream 2 in the second three months; and
- information on key performance indicators and quality assurance processes, by which the performance of the staff member is to be assessed. For example, Service Desk staff are assessed on the average call handling time (expected to be 4:30 minutes or less) and the proportion of HR and Finance queries that are resolved at first contact (expected to be 70 percent for HR-related queries and 90 percent for finance-related queries).

3.13 To support Service Desk procedural guidance, Shared Services also has a quality assurance process for Service Desk staff that includes:

- processes for case reviews; and
- side by side coaching.

3.14 Quality assurance processes were implemented by Shared Services in late 2016-17 in response to high turnover of Service Desk staff. For example, between January 2017 and July 2019, eleven Service Desk staff positions were filled by 28 different individuals. This represents an average change in staff over this period for each position every 6-7 months.

### Delivery of more complex services

3.15 During the audit discussions were held with directorate and agency representatives from strategic HR and finance teams. These teams are responsible for more complex HR and finance activities including, for example, preparation of financial statements, taxation management and the management of recruitment and employee relations. These more complex services are also supported by Shared Services. Shared Services staff who support these complex activities are in specialist HR, finance and recruitment teams in Shared Services. Service Desk staff often do not have the subject matter expertise to provide advice on these matters, nor are they expected to. If enquiries are raised with the Service Desk with respect to these activities, the Service Desk representative would be expected to contact the relevant staff member who could provide this advice and refer the enquiry to them.

- 3.16 Shared Services advised that representatives in strategic HR and finance teams are able to directly contact staff who are able to support their more complex service needs. Feedback from representatives of some directorates and agencies suggested that they were unaware of this option. Feedback from representatives of some directorates and agencies also suggested that processes for escalating and resolving issues with more complex services were not clear and were inconsistently applied. It was apparent that directorates and agencies that had staff that were members of the HR or finance collaboration forums, or other project specific forums led by Shared Services, had more understanding of who could support more complex services and resolve issues.
- 3.17 Despite feedback from representatives of some directorates and agencies suggesting that the process to resolve issues with complex services was unclear, all representatives commented positively on situations where escalations needed to be made to Shared Services' executive branch managers. All representatives advised that once their concerns or issues were raised at this level they were dealt with swiftly and efficiently.
- 3.18 Shared Services has developed a sound framework for the delivery of transactional HR and finance services to ACT Government directorates and agencies. This includes the *Shared Services Customer Service Charter*, policy and procedural guidance for its Service Desk staff and training and support processes for its Service Desk staff, including quality assurance processes. More complex HR and finance activities are also supported by specialist HR, finance and recruitment teams in Shared Services, specifically to assist directorates and agencies' strategic HR and finance teams. Feedback from representatives of some directorates and agencies suggested that processes for escalating and resolving issues with more complex services were not clear and were inconsistently applied.

## RECOMMENDATION 2 DELIVERY OF COMPLEX SERVICES

In conjunction with Recommendation 1, Shared Services should agree and document with directorates and agencies how strategic human resources and finance teams:

- a) access Shared Services' more complex services; and
- b) escalate and resolve complex service delivery issues.

## Risk management

- 3.19 Risk management is an important component of operational management and governance. Risk management allows management, in an informed way, to prioritise activities it undertakes in the context of risk, and to put in place appropriate treatments as required.

## Organisational risk management

### *Risk identification and documentation*

- 3.20 Shared Services has a strategic risk register to document the controls and mitigation strategies that it uses to manage the risks to achieving its organisational objectives. The strategic risk register contains three risks, two of which are rated *High*, with Control Effectiveness rated as *Room for Improvement*:
- Shared Services fail to deliver strategic programs, projects and/or policies within schedule (time), on budget (cost) and to required specifications (quality); and
  - Shared Services' inability to continue or recover business critical operations in the event of an incident or outage.
- 3.21 These risks are documented at a high level, and the risk description includes a range of activities and business processes that may affect or contribute to the risk, or be a control or mitigating factor for the risk. These descriptions are light in detail in terms of their influence on the risk and, in some parts, refer to processes or actions underway or envisaged to be implemented. Some of the processes and activities that were identified to treat risks were not yet implemented. For example, an identified control for the first risk is a series of governance initiatives intended to be implemented by Shared Services. At the time of the risk register (March 2019) these were not in place and could not have been counted on as a control.
- 3.22 Risk treatment plans were also articulated for both of these risks. These were similarly light in detail, particularly with respect to how the treatments would have ameliorated the risk.
- 3.23 Reviews of Shared Services' strategic risk register were conducted by the Shared Services executive or the Chief Minister, Treasury and Economic Development Directorate's internal audit function every six months during 2018 and 2019. However, the strategic risk register was not shared with Customer Council. Sharing the strategic risk register with the Customer Council / Quality Measurement and Advisory Committee could assist it with determining Shared Services' priorities for HR and finance service delivery. Reporting in this forum could also provide directorates and agencies with assurance about the reliability of Shared Services' HR and finance service delivery. This could reduce their need to obtain their own assurance through doing their own audits and reviews of Shared Services' activities.

### *Risk ownership*

- 3.24 Clear assignment of risk ownership is important in ensuring that risks and related controls and treatments are appropriately managed. If ownership is not clearly assigned for risks, this could result in a lack of appropriate oversight and monitoring of the risk and related treatment plans. Risk owners define risk responses and treatment plans and are responsible for ensuring these plans are implemented.

- 3.25 The ACT Government *Risk Management Policy 2019 – Implementation Guide*, recommends ownership of a risk to be allocated to an individual or to a specific position, referred to as the "risk owner", so that there is clear accountability for a given risk.
- 3.26 The risks identified in the strategic risk register for Shared Services are not allocated to an individual risk owner, nor are the risk controls or actions identified in the treatment plans. All risks (and controls) are allocated to the Shared Services Executive Management Group, as are the actions identified in the treatment plans. The lack of clear identification and assignment of responsibility, coupled with the articulation and documentation of the risk at a high-level and description of multiple activities and business processes that may affect or contribute to the risk or be a control or mitigating factor for the risk, reduces accountability for the management of the risk.

### Branch risk management

- 3.27 Information was sought on operational risk management processes, i.e. risk management conducted at a level that would inform operational and administrative decision-making. Shared Services provided:
- a Shared Services Finance risk register which was marked as draft and dated March 2016; and
  - a Shared Services HR risk register which appears to have been last updated and signed off in July 2016.
- 3.28 Both risk registers were in a standard format, which included a description of the risk, its 'source/cause' and consequences, as well as a description of actions taken in relation to the risk, i.e. current controls. For risks rated as Extreme or High, or where the effectiveness of controls were identified as Room for Improvement or Inadequate a risk treatment plan was also identified. Risk ownership was assigned to an individual.
- 3.29 The finance risk register identified five risks that were rated as Medium, with risk treatment plans identified for two of these risks. The HR risk register identified four risks, one of which was rated as High, with the other three risks rated as Medium. A risk treatment plan was identified for the risk rated as High. For both the finance and HR risk registers dates associated with the risk treatment activities were identified for no later than 2016.
- 3.30 The connection between the business unit or branch level risk plans and the strategic risk register in Shared Services was not clear. Shared Services advised that risks related to the delivery of HR and finance services only appear in the strategic risk register, and risk management was conducted at a branch level by Shared Services executives. There were some common risks and treatments in the strategic risk register and the subordinate risk plans. However, the strategic risk plan was not sufficiently detailed for managers of HR and finance functions to demonstrate their priorities for managing risks. Business unit level risk management plans were not being used to track risk management activities by the managers of these functions.

3.31 Shared Services has a strategic risk register to document the controls and mitigation strategies that it uses to manage the risks to achieving its organisational objectives. The risks are documented at a high-level, and the risk description includes a range of activities and business processes that may affect or contribute to the risk, or be a control or mitigating factor for the risk. These descriptions are light in detail in terms of their influence on the risk and some of the processes and activities that were identified to treat risks were not yet implemented. The risks identified in the strategic risk register for Shared Services are not allocated to an individual risk owner, nor are the risk controls or actions identified in the treatment plans. In relation to operational risks Shared Services has a Shared Services Finance risk register (marked as draft and dated March 2016) and a Shared Services HR risk register (appears to have been last updated and signed off in July 2016). The connection between the business unit or branch level risk plans and the strategic risk register in Shared Services was not clear. Business unit level risk management plans were not being used to track risk management activities by the managers of these functions.

#### RECOMMENDATION 3 RISK MANAGEMENT

Shared Services should improve its risk management activities to ensure:

- a) risk assessments are comprehensive and accurate;
- b) treatments effectively address the risk and are assigned to a specific responsible individual or position;
- c) strategic and operational risk registers are clearly linked; and
- d) managers at all levels of the organisation can clearly understand the risk treatments they are responsible for and are able to evidence their risk management activity.

## Performance management

3.32 Performance management is critical in supporting any shared services relationship. Together with clarity on the services to be delivered, the use of key performance indicators in support of performance management assists in:

- providing clarity around expectations for the provision of the service;
- quantifying services to be delivered in terms of cost, quantity and time;
- measuring the level and quality of service to be delivered; and
- facilitating the monitoring of key services being provided.

## Key performance indicators

3.33 A range of key performance indicators for Shared Services' delivery of services have been developed and implemented in different forms since 2013.

### Services Partnership Agreement

- 3.34 Key performance indicators for Shared Services' delivery of services were developed and implemented as part of the Services Partnership Agreement in 2013. The key performance indicators were developed around the service schedules outlined in the agreement.
- 3.35 A series of 'shared key performance indicators' were developed, which were intended to be a shared responsibility between Shared Services and directorates and agencies, which were then supported by 'cascading key performance indicators', which were 'only measured if [shared key performance indicators] were not met'. While data may be available through Shared Services to examine historical performance on the cascading measures, they would only be examined if there was a failure to meet the shared indicator. These were allocated to directorates or agencies or Shared Services. By way of example Table 3-1 shows the original key performance indicators for the accounts receivable service.

**Table 3-1 Accounts receivable key performance indicators in Services Partnership Agreement (2013)**

Shared KPIs			
Percentage of Recovery of External Debt		50% by 30 days, 80% by 60 days, 90% by 90 days	
Average debtor days outstanding		60 days	
Average days taken to receipt identified monies to bank (from date funds received)		3 days	
Cascading KPIs			
Directorate KPIs	Target	Shared Services KPIs	Target
Re-work rate due to inaccuracies in advice of debt – sampling method	<1%	Re-work rate due to inaccuracies in raising debts – sampling method	<1%
All invoice requests are with SSF at least 3 days prior to required creation/despatch	95%	Percentage of invoices raised within 3 working days of receipt of requests (exception Ambulance interface invoices, target is 7 days of treatment/transport)	95%
Percentage of coding information for unidentified revenue provided within 5 working days of request – sampling method	100%	Percentage of identified revenue transactions entered into FMIS within 3 working days of receipt	-

Source: *Services Partnership Agreement (2013)*

- 3.36 A review of the key performance indicators that were developed and implemented as part of the Services Partnership Agreement in 2013 shows that there were:
- 20 shared key performance indicators across the different finance services, with 16 directorate and agency-specific cascading indicators and 21 Shared Services-specific cascading indicators; and
  - 15 shared key performance indicators across the different HR services, with two directorate and agency-specific cascading indicators and two Shared Services-specific cascading indicators.

- 3.37 A review of the key performance indicators that were developed and implemented as part of the Services Partnership Agreement in 2013 also shows that there were a number of key performance indicators that were not appropriate for the measurement of Shared Services' delivery of services. For example, a shared key performance indicator relating to recruitment was 'percentage of new hires (permanent staff) who remain after 12 months' with a target of 85 percent. There was a similar target for executive recruitment as well. These key performance indicators are not effective measures for the performance of recruitment services, because they may be impacted by many other factors beyond the transactional processes associated with recruitment that are provided by Shared Services. This issue persisted following the cessation of the Services Partnership Agreement. While cascading performance indicators that demonstrate performance for the activities Shared Services was responsible for were tracked by Service Desk reporting and available for review, this was not the focus of the collaboration forums and Customer Council. The focus in these forums was regularly on high-level measures that were a shared responsibility.
- 3.38 Key performance indicators for Shared Services' delivery of services were developed and implemented as part of the Services Partnership Agreement in 2013. 'Shared key performance indicators' were developed, which were intended to be a shared responsibility between Shared Services and directorates and agencies. 'Cascading key performance indicators' were also developed, which were only examined if the shared key performance indicators were not met. Fifty-seven shared and cascading key performance indicators were developed for the finance services and 19 shared and cascading indicators were developed for the HR services. The large number of key performance indicators in the Services Partnership Agreement and the shared nature of the key performance indicators made it difficult for Customer Council to keep Shared Services accountable for its performance in HR and finance service delivery. The shared indicators diluted accountability and responsibility for Shared Services' performance.

#### *Revised key performance indicators (2016 to 2019)*

- 3.39 With the cessation of the Services Partnership Agreement in 2016, a significantly reduced set of key performance indicators was subsequently adopted and reported to Customer Council. According to the minutes of the Customer Council meeting of 3 March 2016, the chairs of the collaboration forums were expected to 'undertake more strategic involvement in the delivery of outcomes through ... greater responsibility for and rationalisation of KPIs and associated reporting to Customer Council'. A review of Customer Council meeting minutes of May 2016 and August 2016 shows that the Finance and HR collaboration forums had discussed the rationalisation of the key performance indicators.
- 3.40 At the Customer Council meeting of 18 July 2017 there was acknowledgement of work underway to review the key performance indicators. The Finance Collaboration Forum reported that it was 'currently reviewing its [key performance indicators] with a view to implementing them in the 2017-18 financial year. The aim is to separate high level [key performance indicators] from transactional [key performance indicators], as either lag or

lead measures'. The minutes of the 24 August 2017 Customer Council meeting record that revised finance key performance indicators were considered and endorsed.

- 3.41 At the Customer Council meeting of 18 July 2017, as part of the general discussion of the Shared Services performance reports for the third quarter of 2016-17 there was some discussion associated with the value of the HR key performance indicators and associated reporting. The minutes note that the Chair of the Customer Council 'queried whether the reports serve any purpose if they are not acted upon' with further discussion noting:

If the target is still set, but is not being achieved consistently or is marginal, a decision should be made that either the target or measure is wrong. This will allow focus on the issue for a few months until either is changed.

[The Deputy Chair] suggested that Council either change the [key performance indicator] or report non-compliance. ...the HR Directors Forum actively works to filter outliers in the data ... the new HR [key performance indicators] had only been put in place less than six months ago. Some [key performance indicators] will never achieve 100% compliance and are aspirational targets.

- 3.42 An outcome of the meeting was that the Chair of the Customer Council, the Deputy Under-Treasurer and Executive Director for Shared Services were to 'consider how to improve and make more meaningful the HR [key performance indicators] and will report back out-of-session prior to the next meeting'. The minutes of the 24 August 2017 meeting record this item as closed, but there is no further information in the minutes on what the outcome of any discussions were. Nevertheless, at its meeting of 23 November 2017 there was evidence of discussion of revised HR key performance indicators and the minutes record that 'the Council endorsed the revised HR [key performance indicators] and the Annual Work Plan going forward...'
- 3.43 At the Customer Council meeting of 6 July 2018 both the HR and Finance collaboration forums proposed further changes to the key performance indicators. The minutes relating to the Finance Collaboration Forum and the finance service key performance indicators record a proposal to 'reduce the Council [key performance indicators] to five, which included three new indicators and excluded seven which were already monitored by other authorities or subjective in nature e.g. the quality of the Financial Statements'. The minutes record that the council endorsed the changes to the key performance indicators. The minutes relating to the HR Collaboration Forum and the HR service key performance indicators record discussion of 'five new value optimising [key performance indicators], which were workshopped with Shared Services by a Forum Working Group'. The minutes record that the council endorsed the changes to the key performance indicators.
- 3.44 Underlying these decisions is the understanding that some indicators are more important and relevant to Customer Council in overseeing Shared Services' performance in HR and finance service delivery. All measures are monitored by the collaboration forums, but a subset of these were reported to Customer Council to focus on, with the chairs of the collaboration forums including commentary on performance in their regular updates. The performance indicators that were reported reflected more important services and targets, such as accounts receivable, accounts payable and payroll. Services that were more limited

in their audience or impact such as asset and cash management were monitored by the responsible collaboration forum, but not reported to Customer Council. Subject to the issues previously with respect to the relevance and quality of performance indicators, measures that were more relevant to the oversight of Shared Services were reported to Customer Council.

- 3.45 The minutes of the Customer Council meeting of 10 May 2019 note further discussion associated with the key performance indicators and the expectation that they were to be reviewed again with the establishment of the Quality and Measurement Advisory Committee:

It was felt amongst some Council Members that previous performance measures lacked distinction between operational and strategic KPIs. It was noted that QMAC's role would include defining strategic level KPIs, e.g. Tier 1 Projects, capable of informing the Under Treasurer and Deputy Under Treasurer whether services were working, pro-active and meeting expectations.

...

The relevant WhoG committees and Forums would, until further notice, continue to manage the existing operational and strategic KPIs and make recommendations as necessary.

- 3.46 The minutes of the Customer Council meeting of 10 May 2019 further note:

There was some discussion on the relevance of the strategic indicators and targets, as reflected in the large number that were underperforming. It was noted that all of the KPIs would eventually be reviewed by QMAC. Narratives containing background analyses of the KPI results would be provided to QMAC to assist the review.

- 3.47 Appendix A and Appendix B shows the key performance indicators that were in place for the finance services and human resources services as at May 2019, as well as results against the key performance indicators (where relevant) for the three financial years (2016-17, 2017-18 and 2018-19).

#### *Gaps in key performance indicators*

- 3.48 An Audit Office review of Shared Services' key performance indicators for finance services and HR services as at May 2019 shows these indicators:

- were lacking quality measures;
- did not sufficiently address customer satisfaction;
- were not strictly relevant to Shared Services' processes and activities;
- were not sufficiently aligned to the respective responsibilities of Shared Services and directorates and agencies; and
- did not consistently consider service quality.

- 3.49 While each major service offering has associated performance measures, some measures are not relevant to the associated service, are not attainable, and few measures focus on the quality of services delivered. The measures reviewed were frequently measures of activity rather than whether the service achieved the desired result. For example, the

indicator 'Overall quality of financial statements as assessed by Audit Office on an annual basis is not an appropriate measure. First, quality is not clearly defined, and second the Audit Office does not assess 'quality of financial statements' but assesses material misstatement and compliance with the Accounting Standards. This measure does not consider Shared Services' own internal assurance mechanisms.

- 3.50 The majority of key performance indicators have been achieved, with the results in the three years to 2018-19 shown in Appendix A and Appendix B. There are examples of measures that have not been achieved over the last three financial years, suggesting that these are not attainable. For example, an indicator relating to recruitment identifies whether the 'average time from request to advertise to written offer of employment' has or hasn't been achieved. This key performance indicator is not sufficient to identify the cause and subsequently drive improvements in recruitment outcomes. It is also not complete, as it does not include the time taken for Shared Services to perform a necessary check of the excess employee register prior to advertising the employment opportunity.
- 3.51 With the cessation of the Services Partnership Agreement in 2016, a significantly reduced set of key performance indicators was subsequently adopted and reported to Customer Council. These indicators were reviewed and revised on a number of occasions by the collaboration forums and the Customer Council. An Audit Office review of the key performance indicators for finance services and HR services as at May 2019 shows:
- the key performance indicators did not consistently consider service quality and did not sufficiently address customer satisfaction;
  - the key performance indicators did not cover all elements of Shared Services business in relation to customer engagement and satisfaction;
  - there were no key performance indicators that measured progress against strategic priorities and measures, and implementation of strategic directions; and
  - there was a lack of alignment between the Shared Services strategic direction and major activities and projects and the key performance indicators for HR and performance services.

#### *Revised key performance indicators (October 2019)*

- 3.52 A key priority of the Quality Measurement and Advisory Committee on its commencement in July 2019 was to review and agree on revised key performance indicators for Shared Services and its delivery of services. The minutes of its first meeting on 1 July 2019 indicated that directorates and agencies were of the view that the key performance indicators were not relevant to the services provided.
- 3.53 The Quality and Measurement Advisory Committee also tasked Shared Services with producing process maps to inform the breakdown of end to end services and design associated with key performance indicators. The committee requested that the new indicators focus on:

### 3: Service delivery

- Timeliness
- Quality
- Customer satisfaction
- Value for money.

3.54 The revised key performance indicators were approved by the Strategic Board via the Quality and Measurement Advisory Committee in October 2019. Table 3-2 shows the revised key performance indicators for HR services. More operational measures which are relevant to HR and finance service practitioners continue to be monitored by the HR Directors and Finance Collaboration Forum.

**Table 3-2 HR services key performance indicators (October 2019)**

	Indicator	Result August 2019	Target
Payroll Services	Payroll accuracy rate	99.8%	>98%
	Payroll actions received within agreed timeframes processed on time	99.9%	98%
	Cost per payslip	\$15.22	\$14.72
	Final Monies are paid in the pay cycle following separation	TBA	85%
	Customer Satisfaction Rating	76%	75%
Recruitment	Refer excess officers within 2 working days of receipt of approved advertising request	85.6%	100%
	Process request to advertise within 5 working days after redeployment clearance	78.2%	100%
	Send job applications received to contact officer within 3 working days after advertisement closes	81.8%	100%
	Send pre-offer (new staff) or notification (existing staff) within 5 working days of receiving selection report	69.2%	100%
	Customer Satisfaction Rating	54%	75%
Reporting	Satisfaction rating with Workforce Reporting services	60%	75%
HR Service Desk	Customer Satisfaction Rating	72%	75%
	Average speed of answer (phone calls)	62 seconds	30 seconds
	Abandonment rate (phone calls)	3.3%	<5%
	Enquiries resolved at first contact (phone)	73%	75%
	Cost per phone call (HR and Finance Service Desk)	\$8.66	TBA

Source: Quality and Measurement Advisory Committee

3.55 Table 3-3 shows the revised key performance indicators for finance services.

**Table 3-3 Finance services key performance indicators (October 2019)**

Function	Indicator	Result August 2019	Target
Accounts Payable	Invoices processed through APIAS	80.4%	80%
	Cost per invoice using APIAS	\$6.37	\$6.00
	Suppliers paid on time through APIAS (within 28 days or in accordance with contract terms following receipt of correctly rendered invoice)	96.7%	90%
	Customer Satisfaction Rating	72%	75%
Accounts Receivable and Debt Management	Average debtor days outstanding	41.8	35
	Customer Satisfaction Rating (AR)	74%	75%
Financial Reporting	Annual reporting cycle time	TBA	13 working days
Financial Applications Support	Financial ledger closures achieved within 6 working days of calendar month end	100%	100%
	Correctly prepared journals posted to the month of receipt	100%	100%
Finance Service Desk	Customer Satisfaction Rating	79%	75%
	Average speed of answer (phone calls)	55 seconds	30 seconds
	Abandonment Rate (phone calls)	3.7%	<5%

Source: Quality and Measurement Advisory Committee

3.56 An Audit Office review of the key performance indicators for finance services and HR services as at October 2019 shows:

- the methodology for some indicators has not yet been developed. The payment of final money after employee separation and the cost per Service Desk phone call do not yet have an agreed measurement methodology;
- improvements have been made to the completeness of reported service measures with recruitment services now including all key stages of the process; and
- performance measures focus on activities that are within Shared Services' responsibility. This focuses the Quality and Measurement Advisory Committee on its responsibility to oversight Shared Services' performance. Measures are still available and reported on directorate and agency performance for activities within their responsibility.

3.57 With the exception of financial reporting, issues associated with a lack of quality measures at the individual service level have been addressed. The Finance Collaboration Forum and Customer Council previously reviewed measures associated with the quality of financial reporting which was found to be subjective. Quality measures for Shared Services' input to financial reporting could be covered by periodic qualitative analysis to the Quality and Measurement Advisory Council in the absence of other appropriate measures.

3.58 A key priority of the Quality Measurement and Advisory Committee on its commencement in July 2019 was to review and agree on revised key performance indicators for Shared Services and its delivery of services. The minutes of its first meeting on 1 July 2019 indicated

that directorates and agencies were of the view that the key performance indicators were not relevant to the services provided. The Quality and Measurement Advisory Committee requested that the new indicators focus on: Timeliness, Quality, Customer satisfaction and Value for money. An Audit Office review of key performance indicators for finance services and HR services as at October 2019 shows:

- improvements have been made to the completeness of reported service measures with recruitment services now including all key stages of the process; and
- performance measures focus on activities that are within Shared Services' responsibility. This focuses the Quality and Measurement Advisory Committee on its responsibility to oversight Shared Services' performance. Measures are still available and reported on directorate and agency performance for activities within their responsibility.

#### *Collation of performance information*

3.59 Performance information for HR and finance performance reporting comes from many sources including:

- ServiceNow
- Oracle (Financial Management Information System)
- Chris21 (Human Resource Management Information System)
- Accounts Payable Invoice Automation System
- ATO portal.

3.60 For example, performance data for the key performance indicators for finance and HR are sourced as follows:

- Finance - Accounts payable key performance indicators - all from Accounts Payable Invoice Automation System
- Finance - Accounts receivables - Oracle
- HR Reporting - Payroll Chris21
- HR Reporting - Recruitment - ServiceNow and the Recruitment Management System (RMS)
- HR Reporting - Recruitment - Customer Service – combination of Chris21 and ServiceNow.

3.61 The Audit Office performed a walkthrough of the capture of ServiceNow information. ServiceNow related information extracts require manual collation. Review of processes undertaken by Partnership Services Branch used to collate key performance indicator information noted there are processes in place to support this collation however no procedures or quality assurance processes were noted in support of this collation process.

### *Key performance indicator reporting*

- 3.62 Key performance indicator results are reported on a monthly basis by the seventh day of the month to partner agencies by Shared Services via email to responsible HR and finance officers. This includes monthly and year-to-date progress against key performance indicators. A similar process is undertaken for key performance indicator reporting for Customer Council (now to Quality and Management Advisory Committee) and Strategic Board. These reports are provided to committees as part of their meeting papers.
- 3.63 Partner agencies monitor key performance indicator reports for activity that relates to their agency. In addition, partner agencies monitor additional information that is provided to them by Shared Services on an ad-hoc basis. For example, one partner agency advised it requests specific information from Shared Services in relation to Chris21 on a regular basis in order to further understand payroll and recruitment processes and key performance indicators.

## **Assurance processes**

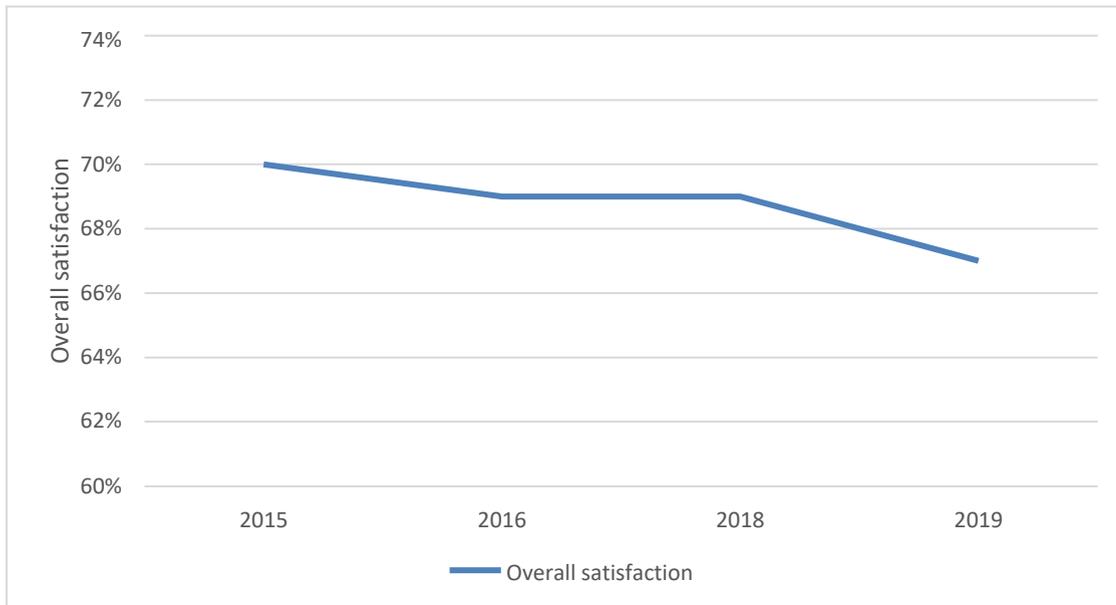
### **Annual customer survey**

- 3.64 The Chief Minister, Treasury and Economic Development Directorate conducts an online customer satisfaction survey among ACT Public Service staff 'to assess the degree of satisfaction with Shared Services'. Surveys were conducted in 2019, 2018, 2016 and 2015. A survey was not conducted in 2017 due to the timing of the annual surveys being changed from December to April in order to increase survey participation.
- 3.65 Satisfaction results are presented for the different service lines. The audit considered satisfaction survey results for HR and Finance services.

### **Human Resources summary results**

- 3.66 Figure 3-1 shows the overall satisfaction rate for HR services in 2019, 2018, 2016 and 2015.

Figure 3-1 Human Resources services satisfaction survey responses



Source: ACT Audit Office, based on data from the *Shared Services 2018 Customer Satisfaction Survey*

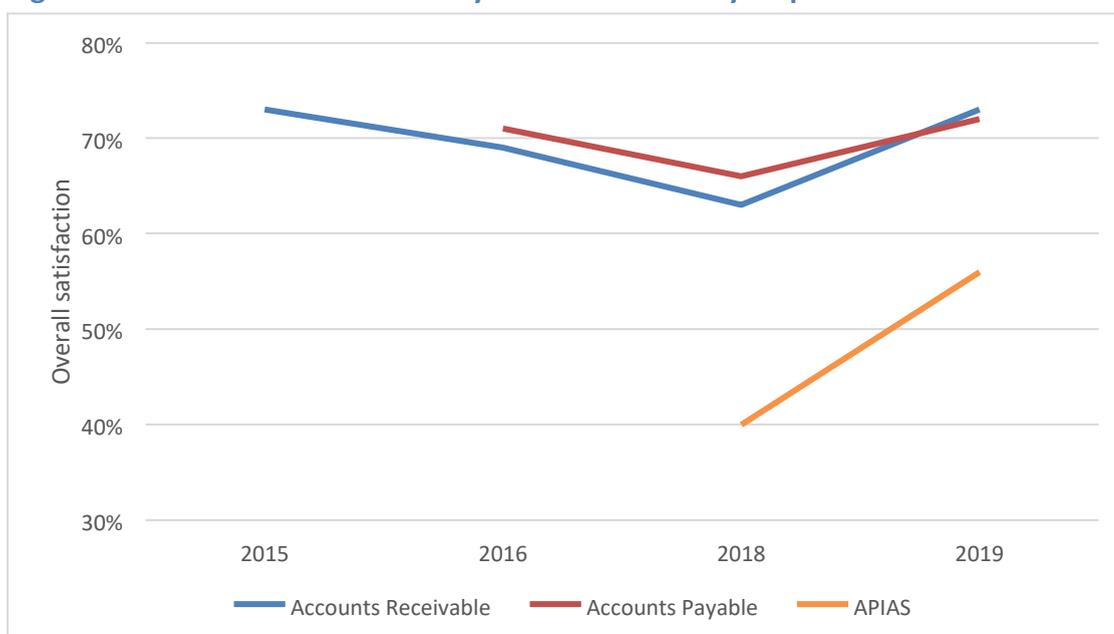
3.67 A review of the *Shared Services Customer Satisfaction Survey* results for human resources services shows the overall satisfaction rate for 2019 was 67 percent of survey respondents. This has declined from a high of 70 percent in 2015.

### Finance summary results

3.68 An overall satisfaction rate for finance services was reported in 2019 and 2018, but not for 2015 and 2016. The overall satisfaction rate for finance services in 2019 was 71 percent of survey respondents. This was an increase from the overall satisfaction rate of 63 percent in 2018.

3.69 Detailed information on the finance summary results is shown in a breakdown of results for different service activities. Figure 3-2 shows the overall satisfaction rate for finance service activities, where they have been collected and reported, for 2019, 2018, 2016 and 2015.

Figure 3-2 Finance service activity satisfaction survey responses



Source: ACT Audit Office, based on data from the *Shared Services 2018 Customer Satisfaction Survey*

3.70 A review of the *Shared Services Customer Satisfaction Survey* results for the different finance service activities shows for those who responded to the survey:

- the overall satisfaction rate for the accounts receivable service activity in 2019 was 73 percent. Between 2015 and 2019 it has varied between 63 percent and 73 percent;
- the overall satisfaction rate for the accounts payable service activity in 2019 was 72 percent. Between 2016 and 2019 it has varied between 66 percent and 72 percent; and
- the overall satisfaction rate for the Accounts Payable Invoice Automation Service activity for 2019 was 56 percent. This has increased from a low of 40 percent in 2018.

3.71 The Accounts Payable Invoice Automation Service relates to the introduction of automated processing of invoices payable by the ACT Government through the use of receiving electronic invoices or scanning hardcopy documents. There were significant shortcomings associated with its implementation by Shared Services in change management and communication with users. Comments in 2018 centred on the lack of training, data accuracy, timeliness of processing, difficulty of using the system, and lack of communication which explains the poorer results for this service activity.

3.72 The Chief Minister, Treasury and Economic Development Directorate conducts an annual customer satisfaction survey among ACT Public Service staff 'to assess the degree of satisfaction with Shared Services'. Satisfaction with HR services has been steadily declining since 2015, with an overall satisfaction rate for 2019 of 67 percent down from 70 percent in 2015. Changes to the methodology for reporting satisfaction with finance services makes a similar comparison difficult. However, it is apparent that the overall satisfaction rate for different finance services have increased between 2018 and 2019 (Accounts Receivable 63

percent to 73 percent, accounts payable 66 percent to 72 percent and the Accounts Payable Invoice Automation Service activity from 40 percent to 56 percent). The low results for the Accounts Payable Invoice Automation Service relates to significant shortcomings associated with its implementation by Shared Services in change management and communication with users, with comments from directorates and agencies noting issues with the lack of training, data accuracy, timeliness of processing, difficulty of using the system and lack of communication. The identification and reporting of key performance indicators associated with customer satisfaction to the Quality and Measurement Advisory Committee since October 2019 is expected to provide a means by which the performance of Shared Services can be reviewed and discussed in an effort to identify service delivery issues and potential improvements.

## Benchmarking reviews

3.73 Over the last five years Shared Services has commissioned two benchmarking reviews of its service delivery:

- *Benchmark Review of ACT Shared Services* (completed February 2015) conducted by the Hackett Group; and
- *ACT Shared Services 2018 Benchmarking Report* (completed January 2019) conducted by Deloitte.

3.74 The primary focus of the Audit Office has been the most recent 2018 benchmarking exercise, which was conducted at a cost of \$191,829.

## ACT Shared Services 2018 Benchmarking Report

3.75 According to the *ACT Shared Services 2018 Benchmarking Report* the purpose of the review was to:

... meet the ACT government's annual reporting requirement and gain insight into the current state and efficiencies of the ACT Government's Shared Services (ACT SS) in comparison to its Peers.

3.76 The review considered the activities of Shared Services' main service lines: HR, finance and ICT. The review sought to benchmark service activities against public sector peers using the APQC benchmarking database which the report states 'contains a wealth of information on organisations across the globe'. The report notes:

... we have compared the ACT Government Shared Services to two Peer Groups: a Peer group formed of Australian and Canadian Public Sector organisations and APQC's Global Public Sector Peers.

3.77 For the Global Public Sector Peer Group the report states:

... we have ... included the benchmarks against the Global Public Sector Peer group to provide another view of how the ACT Government Shared Services is performing. There are 290 Global Public Sector participants.

3.78 For the Australian and Canadian Public Sector Peer Group the report states:

... the metrics APQC provide are a blended value of Australian and relevant Canadian Organisations. Canadian Public Sector Organisations have been included in the Peer group due to their high level of comparability to Australian Public Sector Organisations.

- 3.79 The report states 'each metric contained in this report is compared to on average 17 relevant Australian and Canadian peer organisations' from a list of 31 organisations. The 31 organisations are varied and diverse in nature and include a mix of Australian Government agencies and their business units, Australian state and territory government agencies and a range of municipal, provincial and federal Canadian agencies. The list also identifies other entities which do not appear to be relevant (e.g. the 'Australian Council of Auditors General' (sic) or for which it is unclear what entity is being considered (e.g. the 'Government of Canada'). There is no further information in the report with respect to which of the 31 agencies were selected for benchmarking for the different measures.
- 3.80 For most of the measures the benchmarking exercise recognises that Shared Services 'only provides a proportion of each service ... with the rest of the service being performed outside of [Shared Services]', i.e. in the directorates and agencies. Accordingly, the report states 'in order to give a comparable view of the activities undertaken by [Shared Services] and our selected peers, we have provided an adjusted peer value. This has been scaled in accordance to the agreed Scope of Services'. This adjustment seeks to allow a comparison of Shared Services to be made with other organisations for the same service scope it is responsible for. The proportion of responsibility between Shared Services and the directorates and agencies was estimated by Shared Services and was not discussed and agreed with directorates and agencies. Given directorates and agencies' role in service delivery, it would be appropriate for agencies to agree the validity of these adjusted values based on a common understanding of the ratio of Shared Services' responsibility in delivering human resources and finance services.

## Benchmarking results

### *Presentation of results*

- 3.81 The report's presentation of benchmarking results provides information that has limited value for the performance of Shared Services. The issues with the presentation include:
- Shared Services performance is shown as outperforming, aligned with or underperforming reference entities in a Global Public Sector Peer Group. This peer group purports to include 290 public sector entities, but there is a lack of information on the nature of these organisations and how valid they are as a reference comparison to Shared Services;
  - only ten of 23 HR measures and 17 of 41 finance measures in the benchmarking report compare Shared Services' performance to an Australian and Canadian Public Sector Peer Group which the report states has a 'high level of comparability to Australian Public Sector Organisations'. It is not clear why less than half of the HR and finance measures compare Shared Services' performance to peer organisations that are expected to provide more appropriate comparison;

- the benchmarking results report Shared Services’ performance as outperforming, aligned with or underperforming against an ‘Adjusted Global Public Sector Quartile’ (adjusted to reflect the scope of services performed by Shared Services). Where Shared Services’ performance is aligned to the benchmark, its performance is lower than the top 25 percent of entities but higher than the bottom 25 percent of entities. Using this scale means where Shared Services’ performance is ‘aligned’ to the benchmark, its performance may still be below average; and
- the executive summary of the *ACT Shared Services 2018 Benchmarking Report* reports Shared Services’ performance with reference to the ‘Global Public Sector Percentile’. These results do not take into account the scope of Shared Services’ estimated responsibility, unlike the ‘Adjusted Global Public Sector Quartile’ measure. A less favourable result is presented if the more relevant adjusted measure is used, as shown in Table 3-4 and Table 3-5.

**Table 3-4 Human resources benchmarking measure results**

Performance result	Reported measure (Global Public Sector Percentile)	Adjusted measure (Adjusted Global Public Sector Quartile)	Result – Shared Services performance in the benchmarking report when using the adjusted measure is...
Shared Services outperforms peers...	...in 30 percent of HR measures	...in 22 percent of HR measures	8 percent less favourable than reported.
Shared Services is in line with peers...	...in 48 percent of HR measures	...in 52 percent of HR measures	4 percent more favourable than reported.
Shared Services underperforms its peers...	...in 22 percent of HR measures	...in 26 percent of HR measures	4 per cent less favourable than reported.

Source: Audit Office comparison of Shared Services’ reported benchmarking results

**Table 3-5 Finance benchmarking measure results**

Performance result	Reported measure (Global Public Sector Percentile)	Adjusted measure (Adjusted Global Public Sector Quartile)	Result – Shared Services performance in the benchmarking report when using the adjusted measure is...
Shared Services outperforms peers...	...in 34 percent of finance measures	...in 32 percent of finance measures	2 percent less favourable than reported.
Shared Services is in line with peers...	...in 51 percent of finance measures	...in 49 percent of finance measures	2 percent less favourable than reported.
Shared Services underperforms its peers...	...in 15 percent of finance measures	...in 20 percent of finance measures	5 per cent less favourable than reported.

Source: Audit Office comparison of Shared Services' reported benchmarking results

3.82 These issues weaken the value of the benchmarking exercise as the relevance of many comparisons made in the report are not clear. More effort is needed to explain the relevance of the selected measures and how they relate to Shared Services' activities to inform decision makers of the value for money of human resources and finance service delivery.

#### *Usefulness of benchmarking measures – relevance of measures*

3.83 Conducting benchmarking is an inherently difficult exercise. It is imperative to ensure that benchmarking is conducted on like for like processes with like for like organisations against relevant metrics and measures.

3.84 A number of measures against which Shared Services is benchmarked for the purpose of this exercise do not relate to the performance of Shared Services and its delivery of services to ACT Government agencies. For example, the benchmarking exercise considers the following measures that may have relevance to whole of ACT Government practices, but not to Shared Services' delivery of human resources and finance services:

- involuntary terminations as a percentage of total business entity (i.e. ACT Public Service) employees;
- ACT Public Service employee turnover rate; and
- percentage of new hire retention after 12 months.

3.85 Many factors contribute to these results, which do not relate to the performance of Shared Services. The inclusion of these measures in the report does not inform decision makers of Shared Services' performance, and can be used to overstate its reported service delivery performance.

3.86 Additionally, it is noted that many of the HR and finance measures are ACT Government revenue based, e.g. 'number of HR FTEs per \$1 billion revenue' or 'total HR cost per \$1,000

revenue'. Eight of 23 HR measures are revenue based and 24 of 41 finance measures are revenue based. For the purpose of the benchmarking review, ACT Government revenue was identified as \$4.5 billion, which was calculated as total revenue in 2017-18 net of grant revenue that was ultimately passed on to other organisations.

- 3.87 The relevance of revenue-based measures is questionable. There is a weak link between the magnitude of ACT Government revenue and its impact and relevance to Shared Services' activities. For example, there are finance measures such as '[Accounts Payable] FTE per \$1 billion revenue' and '[Accounts Payable] Personnel cost per \$1,000 revenue'. The Audit Office estimates that in recent years more than half of ACT Government revenue has related to revenue which has little or no impact or relevance to Shared Services and its activities. These include GST payments and grants from the Commonwealth, gains from contributed assets (relating to land development infrastructure assets transferred to the General Government Sector), interest payments, distributions from financial investments and dividends and income tax equivalents (relating to dividends from key government-owned enterprises such as Icon Water and the Suburban Land Agency). More relevant measures would be based on the number of creditors within the scope of Shared Services' activities or the number of invoices processed. This observation would also be of relevance to accounts receivable invoices.

#### *Usefulness of benchmarking measures – relevance of comparisons*

- 3.88 Benchmarking was performed against public sector entities only. Performance planning documents confirmed the Chief Minister, Treasury and Economic Development Directorate's intention to benchmark Shared Services against public sector peers and commercial entities.
- 3.89 Shared Services' performance is not benchmarked against commercial entities and there is the potential that inclusion of those entities in future benchmarking activities could have a significant impact on the comparisons that are made against Shared Services' efficiency and whether the requirements of competitive neutrality are achieved.
- 3.90 The *ACT Competitive Neutrality Policy* aims to correct for a lack of direct competition for government services. The aim of this policy is to improve resource allocation, encourage innovation and improve service delivery through encouraging competition to public sector business. Providing performance data that satisfies competitive neutrality requirements will inform decision makers of the relative value for money of government services, noting the limitations of comparison due to differing employment, financial and stakeholder expectations.

#### *Reporting of benchmarking results*

- 3.91 The Strategic Board was briefed on the results of the benchmarking review at its meeting of 20 March 2019. The minutes record that:

Strategic Board acknowledged the services provided by Shared Services groups across the ACTPS and noted the results from the 2018 Shared Services Benchmarking exercise.

3.92 The Customer Council was briefed on the results of the benchmarking review at its meeting of 10 May 2019. The meeting minutes record that there were eleven apologies for the meeting from directorates and agencies and eight attendees at the meeting; five attendees from Shared Services and three attendees from directorates and agencies (two of these attendees were proxies). The minutes record that:

The Council noted the papers as read.

3.93 There were no action items arising from the discussion, or any indication as to how the results of the benchmarking exercise, including the recommendations, were to be reviewed and monitored going forwards. Subsequent Customer Council meetings did not include the benchmarking exercise as an item for discussion. Minutes from the Quality Measurement and Advisory Committee show it has considered the role of benchmarking data in assessing Shared Services' value for money, but not the recommendations from the benchmarking exercise.

3.94 The benchmarking results will be publicly reported against the Shared Services Accountability Indicator 'Benchmarking study: % of measures in line or exceeding benchmark peer group', which has a target of 80 percent. There is no further documentation with respect to the benchmarking review and its results and how it will be reviewed or further analysed to drive performance improvements.

3.95 Periodic benchmarking exercises of Shared Services' human resources and finance services are relied on to demonstrate Shared Services' efficiency. The reported results of the 2018 benchmarking review do not provide a sound basis for assessing the efficiency of Shared Services:

- benchmarking results are presented with reference to the 'Global Public Sector Percentile', i.e. a 'Global Public Sector Peer Group' comprising 290 entities. Presenting the benchmarking results against the Global Public Sector Peer Group weakens the value of the benchmarking exercise as it impairs the direct comparability of ACT results;
- further benchmarking is reported to be performed with reference to an 'Australian and Canadian Public Sector Peer Group' of 31 organisations which purports 'to provide high level of comparability to Australian Public Sector Organisations'. The organisations are varied and diverse in nature and include a mix of Australian Government agencies and their business units, Australian state and territory government agencies and a range of municipal, provincial and federal Canadian agencies and other entities which do not appear to be relevant or for which it is unclear what entity is being considered. Less than half of the HR measures and finance measures are reported against entities selected from this pool. There is no further information in the report with respect to which of the 31 agencies were selected for benchmarking for the different measures. This does not allow for transparency in the benchmarking exercise;
- most benchmarking results are presented against an 'Adjusted Global Public Sector Quartile', which purports to reflect the scope of services of Shared Services with

respect to directorates and agencies. The proportion of responsibility between Shared Services and the directorates and agencies was estimated by Shared Services and was not discussed and agreed with directorates and agencies. It would be appropriate given the role of directorates and agencies in jointly delivering human resources and finance services to involve them in this process;

- in reporting the benchmarking results against an 'Adjusted Global Public Sector Quartile', performance is reported as follows (outperforming – top 25 percent (i.e. top quartile), aligned – 25 to 75 percent (i.e. middle two quartiles) and underperforming – bottom 25 percent (i.e. bottom quartile). Using this scale a measure may be identified as 'aligned' but be below average;
- a number of measures against which Shared Services is benchmarked for the purpose of this exercise do not relate to the performance of Shared Services and its delivery of services to ACT Government agencies, e.g. percentage of new hire retention after 12 months. The inclusion of these measures in the report is not useful to the reported performance of Shared Services and its activities;
- half of the HR and finance measures used for benchmarking are ACT Government revenue based, e.g. 'number of HR FTEs per \$1 billion revenue' or 'total HR cost per \$1,000 revenue' and are based on total Territory revenue of \$4.5 billion. The relevance of revenue-based measures is questionable as the link between the magnitude of revenue and its impact and relevance to Shared Services and its activities is weak. More relevant measures would be based on the number of creditors or debtors within the scope of Shared Services' activities or the number of invoices processed;
- no benchmarking comparisons are made with commercial providers despite intentions indicated in Chief Minister, Treasury and Economic Development Directorate planning documents. The applicability and reasons for differences in results would need to be analysed to satisfy competitive neutrality requirements.

3.96 The Customer Council was briefed on the results of the benchmarking review at its meeting of 10 May 2019 and the minutes record 'The Council noted the papers as read'. The meeting minutes record that there were eleven apologies for the meeting from directorates and agencies and eight attendees at the meeting; five attendees from Shared Services and three attendees from directorates and agencies (two of these attendees were proxies). The results of the benchmarking review are reported through an Accountability Indicator '% of measures in line or exceeding benchmark peer group', with an associated target of 80 percent. Aside from this, there is no further documentation with respect to the benchmarking review, its results, how it will be reviewed or further analysed to drive performance improvements.

#### RECOMMENDATION 4      BENCHMARKING REVIEWS

Shared Services, in cooperation with directorates and agencies through the Quality and Measurement Advisory Committee, should develop and agree an approach to benchmarking of its services that:

- a) uses measures that are directly relevant and focused on Shared Services, its activities and accountabilities;
- b) provides transparency in the nature of organisations and activities against which it is benchmarked; and
- c) makes qualified comparisons with commercial entities.



# APPENDIX A: SHARED SERVICES FINANCE KEY PERFORMANCE INDICATORS

## Key Performance Indicators – Finance services

Key performance indicators	Responsibility	Reported to Customer Council?	Target	2018/19	2017/18	2016/17
<b>Accounts Payable</b>						
Percentage of Total Invoices Paid on Time through APIAS (within 28 days of invoice receipt date)	Whole of Government	Yes	90%	94.7%	95.5%	85.7% (within 35 days)
Percentage of invoices processed by Accounts Payable Invoice Automation System (APIAS)	Whole of Government	No.	60%	77.4%	59.3%	N/A
Cost per Invoice using APIAS	Shared Services Finance	Yes  Proposed new indicator 11/05/2018	\$5.00	\$7.02	-	N/A
<b>Accounts Receivable</b>						
Percentage of Recovery of External Debt (All Debt Until Oracle R12 can split report by Trading)	Shared Services Finance	No  Recommendation from FCF to delete occurred on 11/05/2018	50% by 30 days	81.3%	79.5%	71.8%
	Shared Services Finance		80% by 60 days	93.8%	95.0%	89.7%
	Whole of Government		90% by 90 days	97.2%	96.9%	93.9%
Average debtor days outstanding	Whole of Government		50 days	40.6	41.8	41.1
Percentage of identified revenue transactions entered into FMIS within 3 working days of receipt	Shared Services Finance	No	95%	94.5%	96.6%	97.7%
Percentage of Whole of Government debt managed by Shared Services Finance	Whole of Government	Yes  Proposed new indicator 11/05/2018.	50%	26.5%	-	N/A

**Appendix A: Shared Services Finance Key Performance Indicators**

Key performance indicators	Responsibility	Reported to Customer Council?	Target	2018/19	2017/18	2016/17
<b>Asset Management</b>						
Percentage of Asset Additions information provided within 2 months of date in service  Note: excludes June when agreed EOY timetable will apply	Directorate	No	50%	69.7%	73.1%	39.8%
Percentage of Asset Changes (moves/disposals/corrections) information provided within 2 months of event occurring  Note: Note: excludes June when agreed EOY timetable will apply	Directorate	No	95%	97.4%	89.9%	85.8%
<b>Cash Management</b>						
Percentage of bank account transactions entered in month they occur, remaining percentage entered by the following month	Whole of Government	No	95% Current Period	95.8%	96.8%	97.4%
	Whole of Government	No	100% Following Month	98.7%	99.3%	99.6%
Percentage of bank account reconciliations completed accurately by 10 <sup>th</sup> working day			100%	97.3%	99.9%	100%
<b>FMIS</b>						
Percentage of financial integrity of Oracle eBusiness Suite	Whole of Government	No	100%	100%	100%	100%
<b>Financial Ledger Management</b>						
Percentage of Financial Ledger closures achieved within 6 working days of calendar month end	Whole of Government	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	100%	100%	100%
Percentage of correctly prepared journals posted to the month of receipt	Shared Services Finance	No	100%	100%	100%	100%
<b>Financial Report – Annual and Monthly (EOM/EOY)</b>						
Percentage of workbooks submitted to Chief Minister, Treasury and Economic Development Directorate on time	Whole of Government	No.  Recommendation from FCF to	100%	97.7%	95.7%	100%

**Appendix A: Shared Services Finance Key Performance Indicators**

Key performance indicators	Responsibility	Reported to Customer Council?	Target	2018/19	2017/18	2016/17
		delete occurred on 11/05/2018				
Overall quality of financial statements as assessed by Audit Office on an annual basis (Proposed new indicator)	Annual assessment	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	Annual Assessment	-	N/A
Reporting agencies submit annual financial statements to the audit office in accordance with the timetable (Proposed new indicator)	Directorate	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	100%	-	N/A
<b>Taxation</b>						
Monthly Business Activity Statements lodged with ATO on time (for SSC serviced Directorates/Agencies only)	Shared Services Finance	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	100%	100%	N/A
Annual Fringe Benefits Tax Returns lodged with ATO on time (for SSC serviced Directorates/Agencies only)	Whole of Government	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	-	-	N/A
Required Annual Taxation Compliance Reviews conducted	Whole of Government	No.  Recommendation from FCF to delete occurred on 11/05/2018	100%	-	-	N/A
<b>Customer Service</b>						
Percentage of Finance service requests resolved at first contact	Shared Services Finance	Yes.  Proposed new indicator 11/05/2018	85%	87.5%	94%	N/A

Source: Shared Services May 2019 key performance indicator report



# APPENDIX B: SHARED SERVICES HR KEY PERFORMANCE INDICATORS

## Key Performance Indicators – Human Resources services

Key performance indicator	Responsibility	Reported to Customer Council?	Target	2018/19	2017/18	2016/17
<b>Payroll</b>						
Employees are paid correctly and on time	Shared	Yes	98%	99.7%	99.6%	99.5%
Payroll actions received within agreed timeframes are processed correctly	Shared Services	Yes	98%	99.9%	99.9%	99.9%
Payroll instructions are accurate and submitted within agreed timeframes	Directorates	Yes	97.5%	99.8%	99.7%	99.7%
<b>Recruitment</b>						
Average time from request to advertise to written offer of employment	Shared	Yes	40 days	43.6	44.4	42.2
<b>Customer Service</b>						
Chris21 payees that have access to HR21	Shared	Yes	95%	89.4%	88%	85.3
Percentage of leave processed through HR21 (only applies to users who have HR21 and leave types that can be entered in HR21)	Shared	Yes	95%	80.5%	81.4%	76.3%
Percentage of service requests resolved at First Point of Contact (Phone Requests only)	Shared Services	Yes	55%	72.5%	71.5%	71.5%
Percentage of employees receiving electronic payslip	Shared	Yes	100%	99.9%	99.8%	99.6%
<b>Probation</b>						
Probation – Review and establish key performance indicator as part of project	Shared	Yes	TBC	-	N/A	N/A

Source: Shared Services April 2019 key performance indicator report



## Audit reports

<b>Reports Published in 2019-20</b>	
Report No. 11 – 2019	Maintenance of ACT Government School Infrastructure
Report No. 10 – 2019	2018-19 Financial Audits – Financial Results and Audit Findings
Report No. 09 – 2019	2018-19 Financial Audits – Overview
Report No. 08 – 2019	Annual Report 2018-19
<b>Reports Published in 2018-19</b>	
Report No. 07 – 2019	Referral Processes for the Support of Vulnerable Children
Report No. 06 – 2019	ICT Strategic Planning
Report No. 05 – 2019	Management of the System-Wide Data Review implementation program
Report No. 04 – 2019	2017-18 Financial Audits Computer Information Systems
Report No. 03 – 2019	Access Canberra Business Planning and Monitoring
Report No. 02 – 2019	Recognition and implementation of obligations under the <i>Human Rights Act 2004</i>
Report No. 01 – 2019	Total Facilities Management Procurement
Report No. 12 – 2018	2017-18 Financial Audits – Financial Results and Audit Findings
Report No. 11 – 2018	2017-18 Financial Audits – Overview
Report No. 10 – 2018	Annual Report 2017-18
Report No. 09 – 2018	ACT Health’s management of allegations of misconduct and complaints about inappropriate workplace behaviour
<b>Reports Published in 2017-18</b>	
Report No. 08 – 2018	Assembly of rural land west of Canberra
Report No. 07 – 2018	Five ACT public schools’ engagement with Aboriginal and Torres Strait Islander students, families and community
Report No. 06 – 2018	Physical Security
Report No. 05 – 2018	ACT clubs’ community contributions
Report No. 04 – 2018	2016-17 Financial Audits – Computer Information Systems
Report No. 03 – 2018	Tender for the sale of Block 30 (formerly Block 20) Section 34 Dickson
Report No. 02 – 2018	ACT Government strategic and accountability indicators
Report No. 01 – 2018	Acceptance of Stormwater Assets
Report No. 11 – 2017	2016-17 Financial Audits – Financial Results and Audit Findings
Report No. 10 – 2017	2016-17 Financial Audits – Overview
Report No. 09 – 2017	Annual Report 2016-17
Report No. 08 – 2017	Selected ACT Government agencies’ management of Public Art

These and earlier reports can be obtained from the ACT Auditor-General’s website at <http://www.audit.act.gov.au>.