

# Supplement to the ANAO's Better Practice Guide

## Innovation in the Public Sector: Enabling Better Performance, Driving New Directions

### Public Sector Innovation — Detailed Case Study Material From Agencies

This supplement to the Australian National Audit Office's Better Practice Guide *Innovation in the Public Sector: Enabling Better Performance, Driving New Directions* sets out details of 10 case studies used in the ANAO's Better Practice Guide.

The detailed case study materials provided by agencies explore issues in public sector innovation across the range of public sector activities. The case studies deal with policy development, program delivery, regulatory approaches, use of technology, organisational innovation and provision of new or enhanced services.

The materials set out key aspects of the initiative's stimulus and development, testing, implementation, checking and adjustment. The means involved in disseminating information throughout the various processes are also canvassed.

In highlighting key observations and lessons learned, the agencies' detailed materials provide an instructive resource to appreciate the practical ways in which innovation stemmed from essential pre-conditions and was fostered and shaped by processes over time.

The case studies set out in this supplement are:

- Australian Customs and Border Protection Service's Detector Dog Program;
- Australian Transactions Reports and Analysis Centre;
- Australian Taxation Office's E-Tax Initiative;
- Centrelink's Concept Office;
- Centrelink's Place Based Services Initiative;
- Commonwealth Scientific and Industrial Research Organisation's National Research Flagships Initiative;
- Council of Australian Governments;
- Department of Innovation, Industry, Science and Research's VANguard E-Authentication Service;
- The Treasury's Standard Business Reporting; and
- The Treasury's Intergenerational Report.



**Australian Government**  
**Australian Customs and**  
**Border Protection Service**

## 1 Australian Customs and Border Protection Service — Detector Dog Program

### Summary

The development and application of a scientifically based method of selective breeding for needed traits in detector dogs has enabled the Australian Customs and Border Protection Service (Customs and Border Protection) to overcome the severe limitations of the opportunistic method of obtaining detector dogs which had previously been used. The success of the program has not only enabled Customs and Border Protection to make more extensive use of detector dogs in its operations, with associated benefits in terms of drug seizures in particular, but also delivered further national benefits from the provision of dogs to other Australian agencies and the capacity to supply both animals and expertise to counterpart agencies in a number of other countries.

Customs and Border Protection began using detector dogs in 1969 and, in light of the support for use of detector dogs from the Australian Royal Commission of Inquiry into Drugs, Customs and Border Protection moved to establish a Detector Dog Training Centre in 1979, with dogs being recruited from a combination of commercial breeders, animal shelters and public donation. However, this approach did not provide a sound basis for supplying dogs suitable for training — the success rate being 1 in a 1000 from the general population.

In seeking to address this issue, the management of the Centre established that no breeding and development model existed anywhere in the world that would meet the key requirements of a guaranteed supply of dogs suited to detection work for known cost. The Centre therefore established a collaborative research partnership with the Royal Guide Dogs Association and the University of Melbourne under which a doctoral investigation of genetic and environmental influences upon key detector dog traits was undertaken. A pilot breeding and development program for 54 dogs was undertaken by Customs and Border Protection as part of this research.

Based on the outcome of the research program, notably the selection rates of 24 per cent for dogs involved in the pilot program, Customs and Border Protection built the National Breeding and Development Centre (NBDC) for production of 40 dogs per year. The NBDC has built on its initial success, with over 1800 dogs having now been bred and retention rates for breeding/detector placement have increased to around 75 per cent.

The NBDC was also able to refine its developmental training to produce multi-response dogs for searching both cargo and people, which has led to greater levels of productivity and flexibility in deployment as the one detector dog can operate across the full array of border environments. The program has also been expanded from narcotics detection to encompass chemical precursors/explosives and firearms.

The capability provided by the NBDC is not only utilised by Customs and Border Protection. It played an important role in providing dogs for explosives detection at the Sydney Olympics and now provides dogs to the Australian Army, Royal Australian Air Force, Australian Federal Police, Australian Quarantine and Inspection Service, and State and Territory Police and correctional services.

The innovative approach of the NBDC has also delivered foreign relations benefits to Australia. A recognised world class breeding and training program initially led to close cooperative links with a number of US Government agencies and the provision of both animals and genetic material. Similar cooperative links have since been developed with a range of other countries and detector dogs and puppies have now been supplied to China, Indonesia, Malaysia, Thailand, Japan and the Geneva International Centre for Humanitarian Demining. The NBDC continues to mentor the partner breeding colonies established abroad.

## Relevant chronology

1969 — Customs and Border Protection began using detector dogs;

1973 — Royal Guide Dogs Association of Australia (RGDAA) and Melbourne University started a PhD research project for scientific breeding of guide dogs, which showed benefits of selective breeding and puppy walking program;

1979 — Customs and Border Protection established Detector Dog Training Centre in response to Australian Royal Commission of Inquiry into Drugs, which concluded that detector dogs were integral to Customs and Border Protection drug law enforcement and recommended expanded use. John Vandeloo joined Customs and Border Protection as a detector dog handler;

1980 onwards — significant difficulties experienced in finding an adequate supply of suitable dogs;

1981 — John Vandeloo promoted to instructor at the Detector Dog Training Centre in Canberra;

1983 — John Vandeloo promoted to Chief Instructor;

1990 onwards — increased volume of work increased supply problems. Customs and Border Protection recruited and trained detector dogs from breeding population of dogs maintained by RGDAA;

1992 — John Vandeloo, National Breeding Manager for the Customs Detector Dog Unit, initiated discussions with Brian Ritter, RGDAA and they subsequently approached Professor Rolf Beilharz at University of Melbourne;

1993 — Customs and Border Protection and RGDAA funded a Special Postgraduate Studentship for a PhD student, Kathryn Champness, to undertake a research program based on the labrador breed because of its focus, versatility, temperament and hunt and retrieve drives;

Early 1993 — commenced three-year pilot breeding detector dog program focussing on narcotics at Customs National Breeding and Development Centre, Melbourne;

June 1996 — Kathryn Champness completed PhD thesis on Development of a Breeding Program for Drug Detector Dogs. Her research showed that a reliable and high quality supply of detector dogs could be produced by establishing a selective breeding program and further enhanced by a suitable rearing environment. Kathryn acknowledged John Vandeloo as the driving force behind the research and the trial Customs Breeding and Rearing program;

1996 — full breeding program initiated together with a puppy foster care scheme;

1998 — first dogs sent to USA and US Customs Service commenced its own breeding program based on the Australian model; John Vandeloo awarded a Public Service Medal for his work;

October 2000 — two further breeding sub colonies comprising 16 dogs presented to US Department of Defence, Transport Security Administration and Auburn University's Institute for Biological Detection Systems;

September 2001 — following the terrorist attack in the USA greater attention given to counter-terrorism issues;

February 2002 — further 30 puppies sent to USA for training by US Customs Service; Transport Security Administration and Institute of Biological Detection Systems;

2003 — training expanded to encompass firearms, ammunition, explosives and chemical precursors and produce Firearms/Explosives Detector Dogs (FEDD);

2004 — program commended in Institute of Public Administration Australia Prime Minister's Awards for Excellence in Public Sector Management;

July 2005 — five Chinese Customs officers trained in Australia;

July 2006 — birth of 1000th detector dog puppy;

September 2006 — first detector dogs and puppies donated to China Customs; and

2009 — Customs and Border Protection now provide dogs for the Australian Army, Royal Australian Air Force, Australian Federal Police, Australian Quarantine and Inspection Service and State and Territory Police and correctional services. Puppies and trained detector dogs have also been supplied to 14 countries, including USA, China, Indonesia, Malaysia, Thailand and Japan, as well as the Geneva International Centre for Humanitarian De-mining.

## Key observations from case study

### Major innovations

Customs and Border Protection moved from an opportunistic method of obtaining detector dogs with a significant rejection rate to a scientifically based method of selective breeding for needed traits with a high success rate. The breeding program was adapted to move from narcotics detection to multi-purpose detection including firearms and explosives. Customs and Border Protection now has a world class breeding and training program and has provided assistance to both domestic agencies and a number of overseas countries.

### Observations and lessons learned

- Innovation prompted by a problem — An inadequate supply of appropriate dogs for training as Customs Detector Dogs required a new approach to be taken;
- Built on previous experience — Royal Guide Dogs Association of Australia guide dog breeding and rearing program and an earlier PhD study of behavioural characteristics provided a proven basis from which to work;
- Fostered by established networks of cooperation — contacts between Customs and Border Protection, Royal Guide Dogs Association of Australia and University of Melbourne facilitated a cooperative and collaborative approach to evaluating the potential of selective breeding;
- Business case based on scientific evidence — the PhD study undertaken by Kathryn Champness through the University of Melbourne showed that desired traits could be enhanced through selective breeding;
- Importance of an innovation champion — John Vandelloo saw the need for more, and better, detector dogs and opportunity offered by a selective breeding program and pushed forward with the University of Melbourne trial despite some scepticism within Customs and Border Protection;
- Organisational responsiveness — once proven by the PhD study, Customs and Border Protection quickly supported full implementation of the selective breeding and puppy raising program at its National Breeding and Development Centre;
- Adaptation, improvement and building on success — in response to the changing security environment the breeding program was expanded to include firearms and explosives detection dogs. Detection capability was supported by a proficiency maintenance and competency program for both dogs and handlers;
- Leveraging comparative advantage — domestic and international recognition of the world-class breeding program and cooperation has strengthened domestic and overseas detector dog programs and brought broader strategic benefits to Australia; and

- Recognition and rewards — the nomination and the 1998 award of a Public Service Medal to John Vandelloo for his work with the detector dogs program provided high-level recognition and encouragement to John and his team.



**Australian Government**

**Australian Taxation Office**

## 2 Australian Taxation Office — E-Tax Initiative

### Summary

The Australian Taxation Office's (ATO) development of its e-tax web based service platform and its subsequent integration with other electronic databases making the best use of data provisioning capabilities, has delivered substantial improvements in the service provided to clients (taxpayers and tax agents) and also lowered transaction and compliance costs for clients and the ATO.

The current e-tax arrangements represent a further major step in the broad ATO modernisation program initiated in 1987 which was aimed at more effectively exploiting emerging information technology capabilities. This multi-phased modernisation program began with development of an Electronic Lodgement Service (trialled at pilot scale in 1987), moved on to the development of an electronic tax pack 'e-tax' (trialled at pilot scale in 1998) and was then extended further to the development of systems in conjunction with other government and private sector organisations providing tax relevant information to enable pre-filling of e-tax returns. The pre-filling of e-tax returns was piloted with data from Medicare and Centrelink in 2004–05.

Uptake of e-tax has expanded rapidly and e-tax lodgements exceeded paper tax return lodgements for the first time in 2005–06. Around 2.3 million people lodged their 2008 returns via e-tax and, of these, approximately 1.6 million chose to use the pre-filling functionality. A further 6.6 million pre-filling reports were downloaded by tax agents.

Apart from the obvious benefits of pre-filling (for example easier access to information and identification of forgotten accounts), use of the service also helps to ensure the accuracy of information submitted as part of the return and results in far fewer post-assessment adjustments.

The development of the e-tax arrangements required a concerted organisational commitment led by successive Commissioners of Taxation over two decades and an associated commitment to major investments in new technology platforms and business re-engineering. While the ATO benefited from more general developments in information technologies, e-commerce and community broadband network penetration, harnessing of these opportunities to its particular business requirements still required the ATO to make a major strategic investment.

The e-tax initiative has also required the ATO to focus externally and invest considerable effort to develop relationships with organisations responsible for providing tax relevant information in order to get data provided in a timely manner for pre-filling of returns and more fully realise the functionality of the e-tax capability. The relevant organisations include government agencies, financial institutions and employers generally (for payment summaries). In 2008, the pre-filling system shifted from the 'expanding pilot' phase to full production, encompassing all electronically available financial institution data, payment summary data and a wide range of data held by the ATO.

## Relevant chronology

1986 — Self assessment legislation passed, representing paradigm shift in tax administration;

1987 — Government agreed to fund a 10 year modernisation program for the ATO on the basis that significant cost savings would be achieved;

1987 — Trevor Boucher, Commissioner of Taxation, visited US and saw an experimental trial of an electronic lodgement facility developed by the Internal Revenue Service;

1987 — Project oversighted by Michael Carmody saw the ATO pilot the initial use of electronic lodgement services through a small trial in South Australia. The National Taxpayer System established in 1975 was a critical enabler to process tax returns received by Electronic Lodgement Service (ELS);

1988 — ELS trial expanded and 27 000 returns lodged;

1989 — ELS project focus changed to 'operationalisation'. ATO Client Relations Officers visited tax agents to provide training and information. National Implementation project initiated;

July 1990 — ATO announced national ELS release, promised 14 day turnaround on the processing of a tax return as an incentive;

1990 — *Data-matching Program (Assistance and Tax) Act 1990* regulates use of Tax File Numbers for data matching purposes;

1991 — ATO awarded Technology Productivity Gold Award. Introduced TaxPackExpress with Australia Post. Pilot conducted in the ACT;

June 1991 — Trevor Boucher awarded an Officer of the Order of Australia (AO) in the Queens Birthday Honours list for services to the community as Commissioner of Taxation;

1992 — ELS extended to cover business applications;

1993 — National release of TaxPackExpress;

1997 — Tax legislation changed to recognise the electronic return as furnished by the taxpayer and recognise electronic signature. Prime Minister announced electronic service delivery targets as part of the strategic plan for Information Age Government;

April 1998 — ATO's first website, *ATO assist*, established;

1998 — e-tax piloted with a small group;

1999 — Electronic TaxPack, called 'e-tax', released nationally with 27 000 lodgments received;

July 2000 — New Tax System introduced, including improved identification through the Australian Business Number (ABN);

2002 — over 550 000 taxpayers lodged their income tax returns using e-tax; ATO undertook a 'Listening to the Community' consultation process which identified as an irritant for the community, having to provide similar information to multiple agencies; ATO launched the tax agent portal;

2003 — Improved version of e-tax introduced with streamlined security;

2004 — e-tax lodgments surpassed 1 million for the year;

2004 — ATO initiated the Easier, Cheaper and More Personalised (ECMP) Change Program, a budgeted \$453 million investment in new technology and business re-engineering, including new identity matching functionality and a single information technology system to store whole-of-taxpayer data. Pre-filing for tax agents via the Tax Agent Portal introduced;

2004–05 — ATO piloted pre-filing with data from Medicare and Centrelink;

June 2005 — Michael Carmody awarded an Officer of the Order of Australia (AO) in the Queens Birthday Honours list for tax administration and reform through innovative approaches to design and implementation of new policies and operations;

2005–06 — Agreement with a number of banks to provide information much earlier than the statutory date of 31 October; Pre-filing pilot expanded to include childcare rebate, bank interest and managed fund information; e-tax lodgments exceeded paper 'Tax Pack' lodgments for the first time;

2007 — 1.9 million individuals used e-tax to lodge their 2007 return and of these approximately 1.1 million used pre-filing. A further 1.9 million pre-filing reports were downloaded by tax agents through the Tax Agent Portal; and

2008 — substantial investment in encouraging employers to lodge payment summary data early and electronically with very positive uptake. Pre-filing system went into full production including all financial institution data, payment summary data and wide range of ATO-held data available. Lodgments of 2008 returns via e-tax exceeded 2.2 million. Of these approximately 1.56 million chose to pre-fill. A further 6.6 million pre-filing reports were downloaded by tax agents.

## Key observations from case study

### Major innovations

The innovation involved use of improved technology and data matching to provide a better service and lower transaction and compliance costs for clients (taxpayers and tax agents) and for the ATO. The case study also shows the commitment to continued innovation.

The longer term implications of moving from post-assessment income data matching to pre-filing of electronic returns represents a considerable shift in Australian tax administration. So too does the ATO seeking to facilitate taxpayer compliance by providing web-based services rather than undertaking post-assessment verification, while also putting a greater focus than previously on those taxpayers intentionally seeking to avoid their taxation obligations,

### Observations and lessons learned

- Innovation prompted by customer need and opportunity — The introduction of the New Tax System led to numerous taxpayers' complaints, and feedback indicated taxpayers wanted less administrative complexity. The ATO wished to simplify the tax return process, increase the channels of choice for filing tax returns and provide an equivalent level of service regardless of the channel used. The opportunity was presented by increased use of the internet and more sophisticated software tools. E-tax offered a better service to self-preparer taxpayers and efficiencies for the ATO than paper-based systems.
- Communication — ATO has marketed benefits of free, fast and personalised system. Taxpayer community is increasingly using e-products.
- Experimental approach — initial developments of ELS, e-tax and pre-filing were all piloted before national release. E-tax currently only available to Microsoft Windows users and broader availability will need to await further development of new technologies.

- Built on previous experience — pre-filing and e-tax is a further, and logical, development of a longer-term modernisation process going back two decades. While the technological platforms were different the ATO learnt general lessons from earlier experience.
- Developing a new paradigm — move from post-assessment income data matching to pre-filing of electronic returns and achieving compliance by provision of web-based services rather than post-assessment verification. This makes obtaining taxpayer compliance easier, cheaper and more personalised.
- Importance of developments in technology — ATO assisted by development of Public Key Infrastructure (PKI) digital signatures, other web-based technologies, data matching and analysis technologies, and has benefited from greater broadband penetration.
- Importance of leadership — the vision and continued support of successive Commissioners of Taxation have been important drivers of change in tax administration. Strong Executive support has been critical in the development and implementation of new initiatives such as e-tax.
- Organisational agility — The ATO has faced a substantial challenge in implementing major tax system changes, while at the same time managing development and implementation risks and taking advantage of developments in technology and business process re-engineering.
- Investing in ideas — while not specific to e-tax, several senior executives in the ATO were given a role as ‘design leaders’ with a remit to work out better business processes;
- Cultural change — Attitudinal change from a focus on strict compliance to making things easier for the taxpayer and focussing more on intentional tax avoidance. This has significant implications for compliance activity and the skills sets ATO staff require. Encourages bottom-up innovation;
- Leveraging relationships and collaboration — the ATO has built strong relationships with State and Territory revenue offices and other government bodies such as Medicare Australia, Centrelink and the Department of Veterans’ Affairs. As well, it has devoted considerable energy to its relationships with data providers — for example financial institutions, and employers. It is an active member of a number of international tax forums including the OECD and the Pacific Association of Taxation Administrators (comprising US, Canada, Japan and Australia);
- Innovation stimulus — innovations by the ATO have generated some operational innovations within the financial sector to provide data earlier and driven business process changes within the tax agent industry. These have been enhanced by the Tax Agent Portal; and
- Rewards and recognition — the award of an AO to both Trevor Boucher and Michael Carmody is recognition of their personal leadership and contribution but also reflects favourably on the ATO as an organisation. ATO has internal reward and recognition arrangements.





## Australian Government

### Australian Transaction Reports and Analysis Centre

## 3 Australian Transaction Reports and Analysis Centre

### Summary

The enactment of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF), which was designed to update Australian arrangements to meet international standards established by the Financial Action Task Force, presented the Australian Transaction Reports and Analysis Centre (AUSTRAC) with a major challenge. It not only required AUSTRAC to assume a broader regulatory role in addition to its established financial intelligence unit activities but also imposed a legislative shift from dealing with specified entities to designated services encompassing an unknown number of providers across a broader range of activities.

AUSTRAC was required to oversee compliance by a wide range of financial services providers, bullion sellers, designated remittance service providers, the gambling industry and other specified reporting entities, and 'cash dealers' (as defined under the *Financial Transactions Reports Act*).

AUSTRAC therefore proceeded to put in place an implementation strategy to deal with the extremely diverse range of organisations and increased numbers of transactions covered by the new legislation. Mechanisms were developed to identify, engage, and assess the entities covered and implement appropriate risk treatment regimes, including providing assistance to small business to understand their obligations and how to meet them. At the same time, development of more sophisticated data mining and analysis techniques to deal with the range and scale of transactions being monitored was also initiated.

A combined top-down and bottom-up approach within AUSTRAC produced a phased implementation strategy based on 34 identified projects covering customer facing issues, supervisory issues, workload issues and organisational growth and capacity building.

As the first step in engaging its customer base, AUSTRAC researched, identified, and contacted 19 700 prospective reporting entities regarding their potential AML/CTF obligations. A range of support mechanisms including follow up contact, a substantial help desk operation (which handled 38 164 calls in 2007–08) and substantially expanded on-line services were then put in place.

In 2007, AUSTRAC launched its Internet-based portal AUSTRAC Online — a system to allow businesses to enrol as reporting entities, receive assistance with their regulatory and reporting obligations, and submit an annual AML/CTF compliance report. More than 13 000 Australian reporting entities are now enrolled with AUSTRAC through the system.

The development of close working relationships with industry and public interest groups has been a fundamental element of AUSTRAC's activities and the AUSTRAC Industry Consultative Forum (ICF) was established in 2007 to help meet the consultative requirements of the AML/CTF Act. The ICF, which meets twice a year and on an *ad hoc* basis as required, has two constituent forums — the Financial Consultative Forum and the Gambling Consultative Forum.

## Relevant chronology

1988 — *Cash Transaction Reports Act 1988* (CTR Act) passed and provides for the establishment of a statutory regulatory and financial intelligence agency. The CTR Act permits the provision of financial intelligence to law enforcement and revenue agencies, including the Australian Federal Police and the Australian Taxation Office;

February 1989 — Cash Transaction Reports Agency (CTRA) established within the Attorney-General's portfolio;

March 1989 — Provider Advisory Group established, comprising representatives of the major and second tier banks and industry peak bodies;

1989 — international intergovernmental body, the Financial Action Task Force (FATF) established by the G-7 Summit to coordinate action against money laundering. Secretariat supported by the OECD. Australia one of 15 founding member nations;

April 1990 — FATF issued a report containing *Forty Recommendations* which provide a plan of action and international standards to combat money laundering;

1991 — CTRA instrumental in introducing the '100 point' customer identification check for new account signatories;

1992 — Legislation renamed the *Financial Transaction Reports Act 1988* (FTR Act) and CTRA's name changed to Australian Transaction Reports and Analysis Centre (AUSTRAC) to reflect some broadening of the agency's functions;

1994 — Privacy Consultative Committee established with representatives of relevant public interest groups (privacy, civil liberties and consumers) as well as the Privacy Commissioner's Office and revenue and law enforcement agencies;

1995 — International Group of Financial Intelligence Units established with AUSTRAC a founding member. Neil Jensen awarded PSM in Queen's Birthday honours list for his contribution to Australia's anti-money laundering program;

1996 — FAFT reviewed and issued revised recommendations;

1999 — United Nations International Convention for the Suppression of the Financing of Terrorism;

2000 — Gaming Industry Provider Advisory Group established;

September 2001 — following the terrorist attack in the USA greater attention given to counter-terrorism issues;

October 2001 — FATF issued *Eight Special Recommendations* to deal with terrorist financing;

2001 — United Nations Security Council Resolution 1373 on prevention and suppression of financing terrorist acts;

2002 — *Suppression of Financing of Terrorism Act 2002* enacted. AUSTRAC work in establishing intelligence agreements with international counterparts and domestic law enforcement agencies became of primary importance. Neil Jensen appointed Director;

June 2003 — FAFT issued a further revision of its recommendations to ensure they remained up to date;

December 2003 — the Government announced that a review of FTR Act and Australia's anti-money laundering and counter-terrorism financing system would be undertaken;

October 2004 — FATF published a *ninth Special Recommendation*, further strengthening agreed international standards for combating money laundering and terrorist financing;

2005 — FATF third mutual evaluation of Australia's compliance with the international anti-money laundering and counter-terrorism financing standards (40+9 recommendations) supported the need for a review;

December 2006 — *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act) passed with staged implementation (a day, 6 months, 12 months and 24 months after Royal Assent) to be fully achieved by March 2010 (see reference to Policy Principles below). AML/CTF Act covers financial sector, gambling sector, bullion dealers and certain other professional and businesses and implements a risk-based approach to regulation. AUSTRAC role continued and extended to give it a dual role of the national AML/CTF regulator and financial intelligence unit;

January 2007 — Minister made Policy (Civil Penalty Orders) Principles 2006 providing a 15 month period after each staged implementation date during which reporting entities must take reasonable steps towards compliance;

2007 — AUSTRAC Industry Consultative Forum (ICF) established to help meet consultation requirements under the AML/CTF Act and comprising the Financial Consultative Forum and Gambling Consultative Forum. ICF meets twice a year and further as required;

2007 — AUSTRAC launched internet-based portal, AUSTRAC On-line, system to facilitate compliance reporting with over 16 000 reporting entities; the AUSTRAC Regulatory Guide; the Typologies and Case Studies Report 2007 to provide a guide to help stakeholders better understand risks to their business; and revised e-learning course;

2007 — AUSTRAC co-hosted workshops for Asia Pacific Economic Cooperation (APEC) officials; FATF membership further expanded to 34 members;

January 2008 — *Anti-Money Laundering and Counter-Terrorism Financing Regulations* registered. Regulations ensure managed investment schemes are covered;

December 2008 — AML/CTF Act final date of effect;

2008 — AUSTRAC signed its 50th international Memorandum of Understanding with Mexico. Neil Jensen appointed Chair of Egmont Group. Sophisticated automated monitoring systems allowed screening of around 69 000 transactions per day. AUSTRAC information contributed to Australian Taxation Office assessments of \$76.7 million in 2007–08;

March 2009 — first major policy principles period relating to December 2007 obligations ends; and

March 2010 — AML/CTF Act to be fully implemented.

## Key observations from case study

### Major innovations

With passage of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act), AUSTRAC moved from dealing with designated entities to dealing with designated services with an unknown number of providers and across a broader range of activities. A range of mechanisms needed to be developed

to identify, engage and educate the population covered by the legislation. While alternative remittance providers were required to register with AUSTRAC, others needed an incentive to enrol on-line, including the availability of a streamlined on-line reporting system which would reduce compliance costs. At the same time more sophisticated data mining and analysis techniques needed to be developed to handle the range and scale of transactions being monitored.

## Observations and lessons learned

- Innovation prompted by a problem — evidence of links between tax evasion, fraud; organised crime and money laundering led to initial government response. Later concern about financing of terrorism led to broader approach. AUSTRAC had to develop the people, processes and systems needed in an increasingly complex environment and to meet domestic expectations and international standards;
- Adherence to international standards and collaboration — As a member of FAFT, AUSTRAC needed to implement the 40+9 recommendations and demonstrate it was meeting international standards through the mutual evaluation process;
- Impact through networks of cooperation — intelligence sharing with international counterparts and domestic law enforcement, social justice and revenue agencies, together with close working relationships with industry and public interest groups are fundamental to AUSTRAC's activity;
- Utilisation of technology — operations based on sophisticated data collection, data mining and analysis, and reporting technology and software;
- Sophisticated risk management — AUSTRAC assists businesses to develop their own compliance procedures tailored to the specific risks they face. As these range from large financial institutions to small businesses a one size fits all approach is not appropriate;
- Communication, education and support to ensure compliance — As the population covered by the legislation is not known with certainty, a range of mechanisms was necessary to identify, engage, and assess the entities covered and implement appropriate risk treatment regimes. This included providing assistance to small business to help them understand their obligations and how to met them;
- Organisational responsiveness — following the passage of the AML/CTF Act, AUSTRAC had to adapt to a dual role of the national AML/CTF regulator and financial intelligence unit, an expanded remit and increased work load. It grew from a small agency of around 80 staff to one with over 400 staff;
- Phased implementation strategy based on identified manageable projects — through a top-down and bottom-up approach AUSTRAC identified 34 projects covering custom facing issues, supervisory issues, workload issues and organisation growth and capacity building. These projects needed to be scoped, staged and coordinated;
- Leveraging past experience and building on success — AUSTRAC's prior experience with implementing the FTR Act and with the initial FATF 40 recommendations provided a basis of expertise on which to build its activities in the CTF areas and implement the AML/CTF Act;
- International standing and influence — AUSTRAC's active role in FATF and the Egmont Group, the large number of memoranda of understanding with other countries and its international technical assistance program have provided opportunities for mutually-beneficial learning and enhanced Australia's international reputation; and
- Recognition and rewards — the nomination and the 1995 award of a Public Service Medal to Neil Jensen for his contribution to Australia's anti-money laundering program provided high level recognition and encouragement to Neil Jensen and AUSTRAC generally.



## 4 Centrelink — Concept Office

### Summary

Since the establishment of Centrelink's Tuggeranong ACT Customer Service Centre as a 'concept office' in 2006, it has played a key role in carrying forward Centrelink's corporate strategy of refocussing its business processes on a more customer driven approach rather than the traditional service delivery paradigm.

The 'concept office' provides a standing capability to trial and fully evaluate potential service delivery improvements under actual workplace conditions prior to wider roll-out across the Customer Service Centre network.

Examples of innovations aimed at improving the customer experience that have been developed and which are now applied within the Centrelink Customer Service Centre network include:

- establishing a more welcoming environment via removal of counter barriers, with office layout being based on an open architecture;
- having customers met at the door by a 'Customer Liaison Officer' who can make initial inquiries concerning their business and either direct them to self-help facilities or, using an ultra mobile computer, log them into the queue for the relevant service;
- separating the office into red and green zones, with the red or 'active' zone providing self-help facilities for 'mutual obligation' customers seeking employment and the green or 'supportive' zone for people looking for other services; and
- providing access to relevant websites, photocopying and printing services for customers.

An important element in the 'concept office' approach is a preparedness to look beyond the linear service delivery approach previously applied. As part of this philosophy, a retail design consultancy was engaged by Centrelink to contribute ideas developed in the retail sector.

Similarly, the role that the Centrelink Customer Service Centres can play in meeting the overall needs of its client base is being reconsidered. Shared services arrangements with Housing ACT (officers available on site two days a week) and Medicare Australia (officers on site for four hours one day a week) have been instituted and a referral service for the Australian Taxation Office are being trialled. A truncated program was run in 2008 but a short lead-time and technical issues hampered the trial and it will be run again in 2009.

The 'concept office' innovations have been associated with tangible benefits. The overall result of innovations trialled during the first 12 months operation of the 'concept office' were improved customer satisfaction, reduced incidence of aggressive client behaviour and lower levels of staff absenteeism.

### Relevant chronology

August 2006 — Brainstorming session for Centrelink senior management about how its service delivery arrangements might be changed to better meet Government and community expectations led to the establishment of the Integrated Service Delivery Network Taskforce. The 'concept office' was put forward as an initiative that would provide a focal point for methodically initiating and trialling innovations that might be applied to Centrelink's network of Customer Service Centres;

December 2006 — The use of the Tuggeranong Customer Service Centre as a ‘concept office’ approved by Centrelink Executive;

2007 onwards — A series of innovations have been trialled in the ‘concept office’, including:

- establishing a more welcoming environment via removal of counter barriers and having customers met at the door by a ‘Customer Liaison Officer’ who can make initial inquiries concerning their business and, if the customer’s enquiry cannot be dealt with on the spot, either direct them to self-help facilities or log them into the queue for the relevant service utilising an ultra mobile computer;
- separating the office into red and green zones; the red or ‘active’ zone providing self help facilities for ‘mutual obligation’ customers seeking employment and the green or ‘supportive’ zone for people looking for other services;
- providing access to relevant websites, photocopying and printing services for customers;
- shared services arrangements with Housing ACT (officers available on site two days a week) and Medicare Australia (officers on site for four hours one day a week);
- a referral service for the Australian Taxation Office (a truncated program was run in 2008 but a short lead-time and technical issues hampered the trial and it will be run again in 2009);
- funding a free corporate wardrobe for office staff;
- providing café facilities; and
- touch screen in window to allow customers to access, not only Centrelink, but also other relevant, community information without entering office.

## Key observations from case study

### Major innovations

The Centrelink ‘concept office’ forms a key part of Centrelink’s corporate strategy to refocus its business processes on a more customer driven approach rather than the traditional paradigm of service delivery. As part of this approach Centrelink has committed itself to achieving higher levels of customer satisfaction from their interaction with Centrelink through its Customer Service Centre network. The ‘concept office’ provides a capability to trial and evaluate potential service delivery improvements under actual workplace conditions prior to wider roll-out across the Customer Service Centre network.

### Observations and lessons learned

- Responding to a need — Improving customer satisfaction with their interaction with Centrelink and delivering better social policy outcomes are key to Centrelink’s corporate strategy;
- Built on previous experience — The success of a prior initiative involving a retail design consultancy in upgrading nearly half of Centrelink’s Customer Services Centres provided a high level of confidence that innovations in the Customer Service Centre experience could deliver major benefits;
- High level organisational support — The Centrelink executive demonstrated a high degree of commitment to ongoing innovation in Centrelink service delivery arrangements and the role that the ‘concept office’ can play in delivering that innovation;
- Experimentation and learning by doing — Willingness to trial new and different approaches in an operational setting, providing a sound basis for assessing what does and does not work; and
- Positive outcomes — The overall results of innovations trialled during the first 12 months operation of the ‘concept office’ were improved customer satisfaction, reduced incidence of aggressive client behaviour and lower levels of staff absenteeism.



## 5 Centrelink — Place Based Services Initiative

### Summary

The Centrelink Place Based Services Initiative was introduced in July 2008. It was introduced in response to the Government's commitment, outlined in its Social Inclusion Statement, to promoting social inclusion through a new approach to developing and implementing policy and programs requiring strong partnerships between all levels of government, business and community organisations.

The premise underlying the 'place based' approach is local level problem definition and response to address a set of circumstances endemic to a place or location for people most vulnerable to the impacts of social exclusion.

Accordingly, area level managers were invited to nominate projects to be operated as a series of discrete, self-managing local initiatives and six projects received funding for 2008–09:

- The Peachey Belt Community Service (northern Adelaide), to work with predominantly youth, single parents and Indigenous customers to increase their social and economic participation by providing place based integrated management;
- Morwell (Victoria), engaging with men aged 35–55 who have been unemployed for at least two years, to assist them by increasing the range of service options available and by addressing the personal issues that make it hard for them to secure and maintain a job;
- Shared Assessments in Logan (south-east Queensland), working with people experiencing domestic and family violence, young people leaving state care and/or people with unmet mental health needs services using a 'person-centred planning process' to increase their personal capacity and to connect them to appropriate services;
- Urban Indigenous Itinerants (NT), aimed at improving the connection of disengaged Indigenous urban homeless people with family, community, agencies and, where possible, assisting with accommodation options;
- Young Refugees (Broadmeadows and Fairfield), working with young refugee job seekers aged 16–24 who will work with a personal services coordinator to identify strengths and weaknesses and to develop goals that young refugees want to achieve via the initiative; and
- Cooma Young Carers (southern NSW), aimed at developing, in collaboration with local service delivery partners in the Cooma region, a referral program for young carers aged 16–25 to assist them to access support needed to remain connected to education, training and employment opportunities and to increase community awareness of their issues in the Cooma region.

The six initiatives are intended to test various practices of intervention that aim to improve customer outcomes through the development of collaborative models of service delivery within a community. They share a common strategy of placing the customer at the centre of the service delivery system and involve the collaborative design, delivery and review of a place based service response to address specific social inclusion challenges created by the place. The initiatives are informed by a participatory action research framework and underpinned by an outcomes-focussed program logic approach, with regular review points to monitor and measure outcomes and recalibrate approaches.

Overall, the place based approach is premised on a reformulation of the Centrelink service delivery model to focus on customer-centric service responses. A key element in delivering this is to define and pursue an appropriate role for Centrelink within an integrated, sustainable service delivery system that meets the customer's holistic needs. Development of strategic partnerships between all levels of government and locally based business and community stakeholders is therefore integral to the place based approach.

## Relevant chronology

November 2007 — Newly elected Government commitment to promoting social inclusion through a new approach to developing and implementing policy and programs requiring strong partnerships between all levels of government, business and community organisations, as outlined in its Social Inclusion Statement;

May 2008 — Funding provided in 2008–09 Human Services portfolio budget for Centrelink to improve services to Australians with a focus on innovation;

July 2008 — Decision taken that Centrelink should explore the use of a place based approach and senior Centrelink Network Managers invited to express their interest in sponsoring program initiatives to be operated as a series of discrete, self-managing local initiatives linked by a common planning and evaluation framework;

August 2008 — Funding provided for the establishment of the Peachey Belt Community Service in the John McVeity Community Centre in northern Adelaide to work with predominantly youth, single parents and Indigenous customers to increase their social and economic participation by providing place based integrated management of the participant and his/her family;

August 2008 — Seed funding provided for five other projects to develop formal business cases for funding under the program;

November 2008 — Funding provided for an initiative at Morwell, Victoria, aimed at engaging with men aged 35–55 years who have been unemployed for at least two years to assist them by increasing the range of service options available and by addressing the personal issues that make it hard for them to secure and maintain a job;

November 2008 — Funding provided for the Shared Assessments in Logan initiative (south-east Queensland), the objective of which is to work with people experiencing domestic and family violence, young people leaving state care and/or people with unmet mental health needs using a 'person centred planning process' to increase their personal capacity and promote social and economic participation by connecting them to the appropriate services;

November 2008 — Funding provided for the Urban Indigenous Itinerants in the Northern Territory initiative aimed at improving the connection of disengaged Indigenous urban homeless people with family, community and agencies (including by providing income support) and, where possible, assisting with accommodation options. It works closely with partner agencies through their existing connection and relationships with this participant group;

November 2008 — Funding provided for Young Refugees initiative to be taken forward in Broadmeadows (Melbourne) and Fairfield (Sydney). Participants in the initiative are young refugee job seekers aged 16–24 who will work with a Personal Services Coordinator to identify their strengths and challenges and to develop goals that youth refugees want to achieve via the initiative, and to allow them to establish clear pathways towards longer term social and economic participation;



December 2008 — Funding provided for the Cooma Young Carers initiative (southern NSW) aimed at developing, in collaboration with local service delivery partners in the Cooma region, a referral program for young carers aged 16–25 to assist them to access support needed to remain connected to education, training and employment opportunities and to increase awareness of their issues within the Cooma community;

April 2009 — Social Justice and Social Policy Research Centre, University of Western Sydney, engaged to conduct a program evaluation; and

October 2009 — The evaluators provided a draft evaluation report. The report showed that the initiatives have demonstrated proof of concept and that Centrelink can play a valuable role in supporting collaborative service delivery.

## Key observations from case study

### Major innovations

Exploration of approaches that could lead to improved outcomes in terms of social inclusion is being pursued via a range of place based initiatives aimed at addressing a set of circumstances that is endemic to a place or location. The initiatives under the program were nominated by area level managers within Centrelink on the basis of defining problems and potential responses at the local level. The initiatives are aimed at fostering the development of strategic partnerships with other relevant agencies and community stakeholders in order to generate sustainable action to address the problem identified.

### Observations and lessons learned

- Innovation prompted by a need — the place based services approach is intended to develop customer-centric service responses that more effectively target prominent areas of disadvantage in particular communities, thereby generating sustainable actions that can improve social inclusion outcomes;
- Importance of innovation champion — The place based services initiative is based on local level problem definition and response rather than the traditional, centralised determination of service delivery parameters;
- Cooperative partnerships — the place based initiative involves reformulation of the Centrelink service delivery model, with a focus on the development of strategic partnerships between all levels of government and locally-based businesses and community stakeholders, to establish integrated service delivery systems;
- Approach informed by relevant methodology — The program logic and action research framework supported the building of relationships and fostered trust by involving service delivery partners in shaping the work, giving a tangible focus for engagement with service delivery partners; and
- Devolved approach adopted to problem solving — The action research framework provides the basis for local level innovation through collaboration while enabling organisational consistency. By enabling the development of provisional solutions to address issues of great complexity (the so-called 'wicked problems'), the initiatives are intended to use the knowledge, understanding and experience of specialised local service delivery practitioners to refine their approaches.



## 6 Commonwealth Scientific and Industrial Research Organisation — National Research Flagships Initiative

### Summary

The Commonwealth Scientific and Industrial Research Organisation's (CSIRO's) National Research Flagships Initiative encompasses 10 large scale multi-disciplinary research partnerships with other research institutions, industry and government agencies to address a range of major human, environmental and economic challenges and opportunities facing Australia. The Flagships have now become a central feature of CSIRO's corporate and research strategy. Estimated funding for Flagships in 2009–10 amounts to \$419 million, with CSIRO appropriation funding accounting for \$217 million and industry and other independent sources contributing a further \$202 million.

The Flagships Initiative commenced its development phase in 2002 through an extensive process of reviewing CSIRO's research strengths and developing potential research programs and partnerships that might be undertaken to address some of the nation's most important challenges and opportunities. The resultant National Flagships Program was formally launched by the then Prime Minister in April 2003. The initial six Flagship projects were Water for a Healthy Country, Wealth from Oceans, Light Metals, Energy Transformed, Food Futures and Preventative Health.

In 2006, a government-mandated review, chaired by the then Chief Scientist, Dr Robin Batterham, was highly supportive of the National Flagships initiative. The review found 'the Flagships offer the most promising mechanism yet to drive large-scale activity addressing Australia's National Research Priorities in a collaborative, cooperative and intensively managed manner'. Consequently, in 2007–08, a further three Flagships were established — Climate Adaptation, Future Manufacturing and Minerals Exploration. The tenth Flagship, Sustainable Agriculture, was established in 2009.

The Flagships Initiative's clearly articulated focus on national impacts, outcomes and partnerships with other organisations enabled CSIRO to put a radically different investment proposition to government. As a result, substantial additional government support has been provided to resource the Flagships program. Additional funding of \$20 million was provided in the 2003–04 budget, followed by \$305 million in the 2004–05 budget to enable full-scale implementation of the initial six Flagships and \$174 million in 2007–08 to fund the further three Flagships.

The key feature of the Flagships is a networked approach which brings together multi-disciplinary research teams from across CSIRO and other research institutions under a partnership arrangement which also engages industry and/or government stakeholders in the research programs. This engagement is reinforced by the operation of Flagship Advisory Committees for each Flagship. Comprising relevant stakeholders, these Committees ensure that the program of research and development for each Flagship is responsive to the strategic research needs of industry and society.

The Flagships initiative has been supported by a profound organisational and cultural transformation within CSIRO from structures and processes centred on the pre-existing divisions, which operated in a largely autonomous manner, to a coordinated matrix leadership and management structure capable of supporting the

thematic research programs and cross-organisational management structures of the Flagships. The extent to which this significant cultural change has been accepted internally was demonstrated by CSIRO's most recent Staff Insight Poll, with the testing of Flagship importance and acceptance producing outcomes ranking in the top three positive responses across the survey.

The thematic approach adopted in developing the Flagships research programs has also now been applied across CSIRO, with its overall research portfolio being organised on the basis of research themes and reviewed annually via the Science Investment Process. The Science Investment Process is a two stage process involving the setting of broad research directions for the organisation, followed by the allocation of specific levels of investment to research themes.

Transformation of the way CSIRO does business, from largely autonomous Division-based research programs to an outcomes-focussed organisation-wide research strategy with the Flagships at its centre, continues to go together with a major organisational change strategy under a 'One CSIRO' banner. The transformation of the way CSIRO does business is integral to the successful implementation of the Flagships and associated organisational changes.

## Relevant chronology

January 2001 — Dr Geoff Garrett appointed as CSIRO's Chief Executive;

May 2001 — Strategic Action Plan for organisational transformation developed for CSIRO. The Plan was centred on six key messages: Look Out!!, Focus, Service from Science, One CSIRO, Partner or Perish, Go for Growth;

December 2001 — Catherine Livingstone appointed as Chair of the CSIRO Board;

2002 — CSIRO initiated its planning/development process for the National Research Flagships Initiative. Flagships were conceived as large scale multi-disciplinary research partnerships harnessing world class expertise from within CSIRO and partner organisations to tackle a range of national challenges and opportunities. A focus on outcomes, with each Flagship having a detailed strategy for delivering research solutions that target clearly defined goals, was a further distinguishing characteristic of Flagships compared with other research initiatives;

April 2003 — Prime Minister officially launched the National Research Flagships Initiative;

May 2003 — Additional Government funding of \$20 million provided to CSIRO for the Flagships Program in the 2003–04 Budget. The Flagships were supported by the introduction of a coordinated, matrix leadership and management structure capable of supporting the thematic research programs and cross-organisational management structures of the Flagships. Each Flagship has a clearly defined research program, funded separately from the general research programs undertaken by CSIRO divisions, and its own management structure headed by a Flagship director. Flagship Advisory Committees comprising relevant stakeholders, with a role to ensure that the program of research and development of each Flagship is responsive to the research needs of industry and society, are a further distinguishing feature of the Flagships;

May 2004 — Additional Government funding of \$305 million provided in the 2004–05 Budget to enable full-scale roll out of the Flagships Program involving six Flagships (Energy Transformed, Food Futures, Light Metals, Preventative Health, Water for a Healthy Country and Wealth from Oceans). In recognition of the importance of collaborative research activities to Flagship outcomes, \$97 million of this funding was set aside to establish the Flagship Collaboration Fund to support research contributions from universities and other publicly funded research agencies;

2005–06 — First round of the Science Investment Process (a two stage process used to allocate CSIRO's investment in science across the organisation). Science Investment Process involved Broad Direction Setting followed by the allocation of specific levels of investment to research themes;

June 2006 — Positive assessment from the Review of the National Research Flagships Initiative chaired by the former Chief Scientist, Dr Robin Batterham. The review found ‘the Flagships offer the most promising mechanism yet to drive large-scale activity addressing Australia’s National Research Priorities in a collaborative, cooperative and intensively managed manner’;

May 2007 — Additional Government funding of \$174 million was provided to expand the Flagships Program to include three new Flagships (Climate Adaptation, Future Manufacturing and Minerals Exploration), with \$17.5 million earmarked for the Flagship Collaboration Fund;

June 2008 — The partnership arrangements under the various Flagship projects involved CSIRO working with over 400 different entities by the end of 2007–08; and

July 2009 — CSIRO established a tenth Flagship in Sustainable Agriculture resourced from pre-existing appropriation funding commitments and external partner contributions. Overall, estimated funding for Flagships in 2009–10 amounts to \$419 million, with CSIRO appropriation funding accounting for \$217 million and industry and other independent sources contributing a further \$202 million.

## Key observations from case study

### Major innovations

The Flagships Initiative involves the creation of large-scale, multi-disciplinary research partnerships to address a range of major human, environmental and economic challenges facing Australia. The Initiative required a major revision of CSIRO’s research strategy and significant re-organisation within CSIRO, with the pre-existing divisional structure being transformed into a matrix environment that formally recognises the multi-disciplinary teams assembled to progress the Flagship research programs. The networked approach adopted in establishing and operating the Flagships also extends beyond CSIRO to include partnerships with other research institutions, industry and government agencies. The introduction of the Flagships Initiative has had a pervasive effect on CSIRO, with the processes used to develop the Flagships investment strategy subsequently being applied across the agency via the organisation of its research portfolio into research themes and the annual operation of its Science Investment Process.

### Observations and lessons learned

- Innovation prompted by a problem — While CSIRO was a long-established, ‘iconic’ Australian research institution, it was recognised in 2001 that its corporate strategy needed to be updated to redefine CSIRO’s role in a more diversified national innovation system and to better harness the potential of multi-disciplinary research programs to deliver major innovation breakthroughs;
- Built on previous experience and expertise — CSIRO had previous experience in research partnerships through its extensive participation in the Cooperative Research Centres program and other initiatives. The Flagships Initiative represented a major ‘scale up’ of these activities to be the central element of the organisation’s corporate strategy;
- Analysis based on data, analysis and evidence — The development of a soundly-based, outcome-focused set of Flagships projects was underpinned by a rigorous review of CSIRO’s research strengths. This activity was combined with wide ranging consultation with business, government and community groups in order to establish mutually agreed research goals for each Flagship. CSIRO then went further and implemented a road map based performance management framework for these programs that focussed on actively managing the Flagships’ ‘path to impact’ and encouraged redeployment of resources where either science outcomes or external factors meant impact would not be achieved;

- Importance of leadership — The Flagships Initiative has had a profound effect on CSIRO by virtue of both the structural changes inherent in the shift from a division based structure to a matrix environment encompassing the Flagships and the re-orientation of its research strategy and other business processes. Strong leadership from the Board and senior executives have been crucial in terms of their commitment to these changes and execution of a detailed change management strategy within the organisation;
- Organisational responsiveness — CSIRO has fundamentally transformed the way CSIRO does business as a consequence of the implementation of the Flagships and associated business process re-engineering. A major organisational change strategy under a 'One CSIRO' banner has therefore been implemented to underpin the shift from largely autonomous, division-based research programs to an outcomes focussed organisation-wide research strategy with the Flagships at its centre; and
- Recognition and reward — In 2008, CSIRO received a Prime Minister's Award for Excellence in Public Sector Management for the National Research Flagships program. The Chair of the CSIRO Board from 2001 until 2006, Catherine Livingstone, was awarded an Officer of the Order of Australia in January 2008 'For services to the development of Australian science, technology and innovation policies, to the business sector through leadership and management roles and as a contributor to professional organisations'. The CEO, Dr Geoff Garrett, was awarded an Officer of the Order of Australia in June 2008 'For services to scientific research and administration through leadership of the Commonwealth Scientific and Industrial Research Organisation, and the development and implementation of innovative research initiatives.'

## 7 Council of Australian Governments — Collaborative Arrangements Across Jurisdictions

### Summary<sup>1</sup>

Since the 1920s, the goals of intergovernmental arrangements in Australia have been directed towards coordination, preventing overlap in the provision of services, uniformity in the administration of common functional areas, and the consideration of national priorities.

The use of Commonwealth–State ministerial councils commenced in 1923 when the Loan Council was established as an informal forum. Following the Second World War, ministerial councils became an important element of intergovernmental arrangements as governments were willing to engage in mutual exchange and, by the early 1990s, there were over 40 ministerial councils. A number of these ministerial councils focussed on arrangements which were the subject of Commonwealth Specific Purpose Payments to the States. By 2007, the number of these Specific Purpose Payments had reached 92.

In 1992, the Council of Australian Governments (COAG) was established to improve efficiencies in the delivery of services between Commonwealth and State governments. Over time, COAG reforms have focussed on a wide range of matters, including roles and responsibilities, micro-economic reform, natural resource management and service delivery and in 2008, steps to modernise Commonwealth–State financial relations including:

- rationalising the 92 Commonwealth Specific Purpose Payments into five broad Specific Purpose Payments, subject to agreements outlining the objectives which clarify the roles and responsibilities of the Commonwealth and the States in each area and supported by performance indicators;
- a move away from the use of input controls for Specific Purpose Payments and a greater focussing on the achievement of outcomes and outputs in the delivery of services by the States and Territories without prescribing how this is to be achieved in areas such as health, schools, vocational education and training, affordable housing and disabilities; and

<sup>1</sup> The case study summary provides the brief chronology and statement regarding the major innovation and lessons learned. The text draws on publicly-available material.

- the introduction of a new approach to assistance governed by National Partnership Agreements under which funding is provided for specific projects that facilitate reform. Some agreements involve incentive payments to reward performance.

The new model for Commonwealth–State financial relations in Australia is based on the principle that the States have the on-the-ground experience in how best to deliver services in their jurisdictions. With this in mind, the Commonwealth has put in place a framework aimed at providing the States with the flexibility to innovate and tailor solutions in a way that best fits the needs of their populations.

This model is a significant step in the journey and evolution of Australia's approach to managing Commonwealth–State financial relations. Many of the challenges facing Australia are issues that need to be addressed through the Commonwealth working in partnership with the States and the design of this new framework includes a reporting framework that will focus on the achievement of results, value for money and timely provision of publicly available and comparable performance information.



**Australian Government**

**Department of Innovation, Industry, Science and Research**

## 8 Department of Innovation, Industry, Science and Research — VANguard E-Authentication Service

### Summary

The 'VANguard' electronic authentication service, developed and administered by the Department of Innovation, Industry, Science and Research, enables business-to-government online transactions to be conducted securely.

VANguard provides the following services:

- The VANguard User Authentication Service provides agencies and business with assurance of the authenticity of each party. Agencies redirect their business users to VANguard for authentication before they can access secure agency web sites or applications.
- The VANguard Signature Verification Service enables agencies to have PDF forms or XML-based content signed by business users and verified by VANguard.
- VANguard's Timestamping Service provides independent, verifiable electronic evidence of the date and time of an electronic transaction.
- VANguard's Security Token Service enables agency systems and business systems to conduct secure online transactions. Agencies and businesses obtain security tokens from VANguard to enable authentication.

VANguard represents an important step forward in progressing the Government's online service delivery agenda by providing effective authentication mechanisms to enable secure business-to-government online transactions. Importantly, the development of VANguard as a dedicated service that can facilitate e-authentication on a whole-of-government basis offers reduced cost and complexity for business by avoiding the need to meet different authentication requirements imposed by individual agencies.

Avoiding costly duplication of authentication solutions across government agencies offers major benefits from a government perspective. The VANguard service serves to insulate agencies from the technology used to authenticate business users and eliminates the requirement for agencies to manage Public Key Infrastructure credentials.

Two major government business initiatives rely on VANguard providing key infrastructure elements and underpinning authentication services. These are the Standard Business Reporting program (a multi-agency program involving the Treasury, the Australian Prudential Regulation Authority, the Australian Securities and Investments Commission, the Australian Taxation Office and state revenue offices, and the Australian Bureau of Statistics) and the Australian Business Number/Business Name project, specifically the Business Online Services project element.

More generally, VANguard has entered into working arrangements with Centrelink, the Department of Defence, the Australian Fisheries Management Authority, the Australian Government Online Services Project, the Victorian Office of Small Business and the South Australian Department for Transport, Energy and Infrastructure.

As VANguard usage is not mandated, successful expansion in the uptake of VANguard services has depended on effective dissemination of project information to other agencies and strategic involvement in government e-business initiatives such as Standard Business Reporting.

## Relevant chronology

February 2006 — Cabinet approved funding of \$30.8 million over three years for Electronic Authentication, Notary and Validation Services (VANguard);

July 2006 — project initiated within the e-Business Division of the then Department of Industry, Tourism and Resources;

February 2007 — Agreement by a range of agencies to participate in VANguard pilot project (Centrelink, Victorian Office of Small Business, South Australian Department for Transport, Energy and Infrastructure, and Gayndah Eidsvold Mundubbera Council Consortium);

August 2007 — VANguard engaged to provide critical infrastructure and underpinning authentication services to the Government's Standard Business Reporting (SBR) program, a multi-agency program involving the Treasury, Australian Bureau of Statistics, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, the Australian Taxation Office and state revenue offices;

February 2008 — VANguard pilot project concluded;

July 2008 — VANguard engaged to provide critical infrastructure and underpinning authentication services to the Australian Business Number/Business Name Project, specifically the Business Online Services Project;

2008–09 — VANguard customer base established. Arrangements in place with Centrelink, Department of Defence, Australian Fisheries Management Authority, Australian Securities and Investments Commission, SBR project, Business Online Services project, Australian Government Online Services project, Victorian Office of Small Business and South Australian Department for Transport, Energy and Infrastructure; and

April 2010 — Delivery of secure token service, claims engine, timestamping and user authentication to SBR project due.

## Key observations from case study

### Major innovations

Development of e-authentication services to enable business to government online transactions to be conducted securely, with a brokerage model using dedicated infrastructure facilitating application on a whole of government basis.

## Observations and lessons learned

- Innovation responded to a need — Facilitation of business to government transactions in the context of the broader governmental online service delivery agenda dependent on having authentication mechanisms available to provide adequate level of security for a wide range of transactions;
- Importance of leadership — Senior Executive within the Department provided strong backing for the initiative, enabling funding for the project to be obtained via the 2006 Budget process. This support was maintained, despite subsequent budget funding cutbacks;
- Importance of developments in technology and legal framework — A general move internationally to the adoption of e-authentication technologies, combined with resolution of the legal status of e-authentication products, gave confidence that an effective outcome could be achieved; and
- Fostered by promotional activities — The brokerage role assumed by VANguard required the Department to act proactively to disseminate information about its capabilities to other agencies on a bilateral basis and to actively participate in significant cross government business process initiatives where VANguard might potentially have a role.



**Australian Government**  
**The Treasury**

## 9 The Treasury — Standard Business Reporting

### Summary

The Standard Business Reporting (SBR) program was initiated by the Australian Government in 2006 in response to the Report of the Taskforce on Reducing Regulatory Burdens on Business, 'Rethinking Regulation', which identified excessive reporting and recording burdens on business as one of five priority areas for reform by government. Given its cross-jurisdictional mandate, SBR was subsequently endorsed by the Council of Australian Governments and incorporated into its regulatory reform agenda.

SBR is expected to be available from July 2010, with the resultant envisaged reduction in the regulatory burden associated with financial reporting expected to generate savings to business of \$800 million per year. This is expected to be achieved by:

- removing unnecessary and duplicated information from government forms;
- using business software to automatically pre-fill government forms;
- adopting a common reporting language, based on international standards and best practice;
- making financial reporting to government a by-product of natural business processes;
- providing an electronic interface that will enable business to report to government agencies directly from their accounting software, which will provide validation and confirm receipt of reports; and
- providing business with a single secure online sign-on to the agencies involved.

The SBR program is being led by the Australian Treasury, with other participating agencies being the Australian Prudential Regulation Authority, Australian Securities and Investments Commission, the Australian Taxation Office, the Australian Bureau of Statistics and all State and Territory Government revenue offices. The SBR program has around 50 forms in scope, including Business Activity Statements (the Australian Taxation Office), financial statements (Australian Securities and Investments Commission) and payroll tax (state/territory revenue offices).



Strong partnership arrangements are a critical element of the SBR program. A governing board that includes the heads of all participating agencies oversees implementation of SBR, which has been co-designed by the participating agencies in partnership with software developers, business and business intermediaries.

The SBR design stage is now complete and the build of SBR's core services and single sign-on solution has commenced. Operational testing of SBR systems commenced in October 2009.

Apart from the direct benefit industry is expected to derive from easier business-to-government reporting, SBR is considered to offer other benefits to industry and government. As the XBRL financial reporting language being used for SBR is increasingly being adopted as the basis for sharing financial information in an electronic form by accounting and financial reporting industries globally, the establishment of SBR compatible systems is expected to promote streamlining of the movement and use of financial information in other business reporting chains. While the reduction in regulatory compliance costs for business was the key driver in the SBR program, it was also expected to improve the quality of data submitted to government and deliver processing improvements, reducing ongoing administrative costs for the agencies involved.

## Relevant chronology

15 August 2006 — The then Treasurer announced that a committee of Australian and state government officials would examine the case for introduction of SBR in response to one of the priority areas for reform identified in the report of the Taskforce on Reducing Regulatory Burdens on Business, 'Rethinking Regulation'. The committee consulted Australian, state, territory and local government agencies as well as the business sector and considered various approaches to the introduction of SBR. One of the key principles established was that SBR would need to be implemented in a phased manner, targeting sectors or 'clusters' of reporting;

19 December 2006 — The Australian Government announced that SBR would proceed;

30 August 2007 — Following the development of a full implementation plan, the Australian Government announced the commencement of the SBR program, which would include a range of pilots, trials and the fully operational end-to-end testing of all components of the final SBR solution from September 2009. Led by the Australian Treasury, the participating agencies were the Australian Prudential Regulation Authority, Australian Securities and Investments Commission, the Australian Taxation Office, the Australian Bureau of Statistics and all State and Territory Government revenue offices;

25 January 2008 — The Treasurer and the Minister for Finance and Deregulation announced that the SBR program had taken its first steps in meeting the Rudd Government's commitment to reducing the burden of red tape on Australian business;

26 March 2008 — Council of Australian Governments (COAG) incorporated SBR as part of its new regulation reform agenda. To ensure a real reduction in regulatory reporting burden is being achieved, SBR is being closely monitored by COAG's Business Regulation and Competition Working Group, which is co-chaired by the Minister for Finance and Deregulation, and the Minister for Small Business, Independent Contractors and the Services Economy;

31 March 2008 — Release of the first cycle of the SBR taxonomy; the common reporting language based on international standards and best practice to support the SBR forms in scope;

1 July 2008 — Contracts signed with IBM to design SBR's core services and with Verizon Business to design the single sign-on solution for SBR;

3 July 2008 — COAG announced details of SBR's implementation plan and approach to consulting with the business community;

30 September 2008 — SBR Cycle 2 taxonomy released, which supported 20 of the forms in scope;

29 November 2008 — SBR included in COAG's National Partnership Agreement to deliver a seamless national economy;

16 February 2009 — SBR tax file number declaration pilot begins, with six software developers participating in a limited test of SBR's end-to-end capability;

31 March 2009 — SBR Cycle 3 taxonomy released, providing for the first time a harmonised list of definitions for around 50 SBR forms in scope;

March/April 2009 — Contracts signed with IBM and Verizon Business to build SBR's core services and single sign-on solution;

26–29 May 2009 — *SBR Conference 2009 Revolutionising business reporting* demonstrated what Australian business can expect from SBR, as well as exploring global financial reporting trends (including open standards such as XBRL);

October 2009 — Operational testing of SBR systems;

End March 2010 — SBR financial reporting solution due to be delivered to the public; and

July 2010 — Full production to be available for financial reporting, including compliant record keeping software from suppliers due.

## Key observations from case study

### Major innovations

Expected to achieve a major reduction in the overall business to government reporting burden via a multi-agency, cross-jurisdiction approach, developed in partnership with industry, which will:

- remove unnecessary and duplicated information from government forms;
- adopt a common reporting language, based on international standards and best practice that will make financial reporting a by-product of natural business processes;
- provide an electronic interface enabling business reporting directly from accounting software; and
- provide business with a single secure online sign-on to the agencies involved.

### Observations and lessons learned

- Responding to need — The 2006 Report of the Taskforce on Reducing Regulatory Burdens on Business, 'Rethinking Regulation', found that regulatory compliance cost business tens of millions of dollars each year, and that much of this cost could be alleviated by regulatory reform. Excessive reporting and recording burdens were identified as a priority area for reform. It has been estimated that the benefits to business of the SBR program reforms will ultimately rise to \$795 million per year on an ongoing basis;
- Benefits to government — While the reduction in regulatory compliance costs for business was the key driver in the SBR program, it is also expected to improve the quality of data submitted to government and deliver processing improvements, reducing ongoing administrative costs;
- Building on previous experience — Australia is building on the lessons learnt from the Netherlands SBR program, which is also aimed specifically at reducing regulatory reporting burden;

- Leveraging technical developments — More general developments in information technology platforms are being applied to the configuration of the electronic interface which is central to the SBR program. The Financial Reporting Taxonomy for the SBR program, which will provide the definition and rules for the reportable items of all forms in scope, incorporates use of XBRL (eXtensible Business Reporting Language), an open international standard which is increasingly being used by accounting and financial reporting industries globally;
- Strong cooperative partnership — The SBR program is being coordinated by the Treasury with a governing board that includes the heads of all the participating agencies overseeing its implementation. The SBR not only involves a range of agencies and jurisdictions on the government side, but is also a long term partnership between governments and the business community. This partnership is reflective of the key roles that each party has in current reporting processes and the appreciation that a sustainable reporting reduction can only be delivered through co-operation between all the parties involved;
- Government and cross-jurisdictional endorsement — The SBR program has been strongly endorsed by the Australian Government and subsequently incorporated into the COAG reform agenda via a formal COAG commitment to the program. Once implemented and settled the infrastructure developed for SBR — including systems, process and standards — could be expanded for use into other areas of reporting; and
- Capacity to provide flow-on benefits to industry — The XBRL based financial reporting taxonomy will provide software developers with an alternative to ongoing codification of reporting rules in their software. The SBR program is also working with the accounting community to ensure that, in addition to its use in government reporting chains, the taxonomy can be extended into all relevant sectors to maximise use of tagged accounting information in business reporting chains. The authentication solution developed for SBR, which provides a single sign-on for online services, will meet the needs of a wide range of agencies that would otherwise have to build, maintain and operate their own authentication regimes when dealing with businesses online.



**Australian Government**

**The Treasury**

## 10 The Treasury — Intergenerational Report

### Summary

The preparation of an Intergenerational Report (IGR) every five years was mandated by the *Charter of Budget Honesty Act 1998*, with the first report being released in 2002 and the second in 2007. The IGR represents a major departure from previous analysis available to the Government and the wider community in that it provides an overall assessment of the sustainability of government policies over a forty year period.

Establishing the IGR as an ‘authoritative’ assessment required the development of methodologies extending beyond Treasury’s established expertise in budget management and macro and micro economic modelling. The IGR was therefore developed on a whole of government basis.

Substantial input was sought from other key departments and academia to ensure the best available data and analysis on key drivers of the Government’s fiscal position in areas such as population, labour force, payments to the unemployed, aged care, health care and education, was incorporated into the Reports.

In preparing the first IGR, Treasury was able to draw upon an established capacity in respect of retirement income modelling developed as a consequence of the establishment of an inter-agency taskforce to examine these issues in 1992. This expertise made possible effective analysis of the interaction of superannuation, demography, labour markets, social security and taxation over the 40 year period of the IGR, these issues being central to the overall outcomes.

Further innovation in the IGR methodology continues to be pursued, with more refined analysis such as the 'population, participation and productivity' framework for developing projections for real GDP and real GDP per person being introduced in the second Report.

By providing an authoritative perspective on major issues affecting Australia's longer term future, the Reports have been highly influential reference points for considering long-term issues and trends and possible policy responses within Government. In releasing the second IGR, the then Treasurer stated that 'In practically every portfolio area — health, education, family benefits, welfare, superannuation, pensions — the IGR now provides the overall architecture within which we operate.'

The Reports have also been significant in positioning and increasing the influence of the Treasury at the centre of government policy advising.

## Relevant chronology

June 1991 — Ken Henry returned to the Treasury from the Parliamentary office of the Hon Paul Keating, MP, and given task of building modelling capacity of Treasury. The Hon Paul Keating, MP, who had been the Treasurer until June 1991 became Prime Minister on 20 December 1991;

April 1992 — Senate Select Committee on Superannuation report;

Aug 1992 — Retirement Income Modelling (RIM) Task Force commenced operations as a joint endeavour by the Treasury and the then Departments of Finance and Social Security;

1996 — Commonwealth Commission of Audit report drew attention to the demographic issue using RIM projections and proposed the Charter of Budget Honesty.

1996 — RIM undertook road-testing of its projections with departments and stakeholders;

1997 — RIM Task Force became the Retirement and Income Modelling Unit and became part of Treasury;

1998 — *Charter of Budget Honesty Act 1998* passed. The Charter of Budget Honesty provides a framework for the conduct of Government fiscal policy. The Charter requires fiscal strategy to be based on principles of sound fiscal management and improved public scrutiny of fiscal policy and performance. Amongst other things the Act requires an intergenerational report (IGR) to be produced every five years. The IGR is to assess the long-term sustainability of current government policies over 40 years, including the financial implications of demographic change;

2001 — Treasury undertook departmental consultations on the assumptions and modelling results underpinning the intergenerational report and the then proposed OECD Report on the Fiscal Implications of Ageing;

April 2001 — Ken Henry appointed Secretary to the Treasury;

September 2001 — OECD Report on the Fiscal Implications of Ageing;

May 2002 — The first intergenerational report (IGR1) was released as part of the 2002–03 Budget. The report focussed on the implications of demographic change for economic growth and assessment of the financial implications of continuing current policies and trends over the following four decades;

2002 — Academic and other commentators analysed technical issues and policy implications of IGR1;

May 2003 — Budget Paper No.1, Statement 4, *Sustaining Growth in Australian Living Standards*, articulated the population, participation and productivity ('three Ps') agenda;

January 2004 — Philip Gallagher awarded a Public Service Medal (PSM) in recognition of his contribution to the development and application of retirement income models, particularly in relation to the 2002 Intergenerational Report;

August 2004 — Economic Roundup article *Policy Advice and Treasury's Wellbeing Framework*, described the framework for Treasury's approach to policy advice and its mission to improve the wellbeing of the Australian people;

September 2006 — Access Economics IGR Review for Medicines Australia published and noted that small differences in assumptions used to estimate future costs can result in very large changes in projected outcomes;

2006 — Treasury task force commenced work on IGR2;

January 2007 — Ken Henry awarded a Companion of the Order of Australia (AC) in Australia Day honours list;

April 2007 — Second intergenerational report (IGR2) released by the then Treasurer. IGR 2 showed that the Australian Government's long term fiscal sustainability had improved over IGR1 but demographic trends remain of concern. IGR2 discussed the three Ps agenda and was influenced by the 'wellbeing' framework; and

May 2009 Budget — the IGR models were used to produce medium term fiscal projections for the period to 2019–20 for Australia and 40 year costings of changes in pensions and offsetting savings measures. These medium term projections are informing current decision-making processes as the Government focusses on returning the Budget to surplus over the medium-term.

## Key observations from case study

### Major innovations

The intergenerational reports have been very influential at the political, bureaucratic and stakeholder levels in that they have provided an authoritative long term perspective on major issues affecting Australia's future. The reports have had a substantial influence on Commonwealth departments and agencies thinking about long term issues and trends and possible policy responses. The reports have also been significant in positioning and increasing the influence of the Treasury at the centre of government policy advising.

### Observations and lessons learned

- Innovation prompted by a problem — the *Charter of Budget Honesty Act 1998* was seen as one answer by the then government to future governments concealing large deficits and it put in place a system of more open reporting and a greater focus on longer term trends;
- Built on previous experience and expertise — the Treasury has a long history and deep expertise in budget management and macro and micro economic policy advising and modelling. The creation of the RIM Unit brought together a range of additional skills, including, in Philip Gallagher, a person with deep understanding of social security, community services and health policy and statistics;
- Analysis based on data, analysis and evidence — the Treasury used the best available data and analysis and tested the assumptions underlying its modelling and early results with other departments;

- Importance of leadership — Following Ken Henry's return to the Treasury in 1991, his previous experience in taxation policy with his new responsibilities for budget policy resulted in strands of Treasury thinking being brought together and a greater focus on long-term drivers of Australia's fiscal position. As Treasury Secretary, Ken Henry, places considerable weight on Treasury's role as a central policy department, providing high quality policy advice and thinking analytically and strategically;
- Organisational responsiveness — the first intergenerational report was largely handled as a matter of compliance with the legislation. However subsequent developments and analysis, including the publication of the population, participation and productivity and the wellbeing frameworks, built on IGR1 and promoted further policy discussion and anticipation of IGR2; and
- Recognition and reward — Philip Gallagher's award of a Public Service Medal (PSM) acknowledged his contribution to the development and application of retirement income models, particularly in relation to the 2002 Intergenerational Report. While not specifically related, the nomination and award to Ken Henry of a Companion of the Order of Australia (AC) recognised his contribution to the development and implementation of economic and taxation policy, his contribution to the finance sector and to the community.