



Office of the Hon Brad Hazzard MP
Attorney General
Minister for Justice



File LAC14/368

Ms Ronda Miller
Clerk of the Legislative Assembly
Parliament House
Macquarie Street
SYDNEY NSW 2000

Dear Ms Miller

Re: Report No. 18/55 of the Public Accounts Committee – Follow up of Repeat Recommendations from the Auditor-General's 2013 Financial Audit Reports

Thank you for your letter dated 14 November 2014 regarding Department of Justice relevant recommendations from Report No. 18/55 of the Public Accounts Committee – *Follow up of Repeat Recommendations from the Auditor-General's 2013 Financial Audit Reports*.

I am pleased to have the opportunity to report on what actions the Department of Justice is taking in relation to Recommendation 2 from the Report. These actions are outlined in **Attachment A**.

If further information is required, please contact Peter Connelly, Deputy Secretary Organisational Performance and Operations, NSW Department of Justice (02 8061 9335 / peter.connelly@justice.nsw.gov.au).

Yours sincerely

BRAD HAZZARD MP
Attorney General

4 MAR 2015

NSW Department of Justice – Response to Recommendation from Report 18/55 of the Public Accounts Committee – Follow up repeat recommendations from the Auditor-General’s 2013 Financial Audit Reports.

RECOMMENDATION 2

The Committee recommends that the Department of Justice conduct a cost-benefit analysis of the integration of policies, operations and systems between its divisions by October 2015.

RESPONSE

Background

The Department of Justice (DJ) has undertaken a restructure, with the changes facilitating improved integration of policies, operations and systems between its divisions. Included in the restructure was the creation of specific Divisions with Department-wide responsibility for Finance, Human resources and Organisational Performance and Operations (including legal services, Information Technology and Asset Management Services).

DJ has undertaken a functional analysis to best identify how functions can be consolidated and integrated across the department. For example, functions from HR, Finance, IT and Asset Management have been consolidated, drawing functions and resources from the rest of DJ. The next stage of consolidation involves setting up a transactional business support centre which is underway. The functional analysis will continue to be refined and updated over time, providing an evidence base for further integration and consolidation in the future.

Shared Corporate Services

The integration of policies, operations and systems between DJ corporate services functions has been a major focus of activity.

The Justice Cluster Shared Corporate Services (JSCS) 2012 business case for the DJ corporate services reforms included a cost benefit analysis specifying the key investment appraisal measures. The reforms are initially focussing on the Principal Department. In June 2014 Capgemini verified the benefit assumptions, assessed the benefits realised to date and the potential risks to future realisation. The estimated benefits were revised and new savings opportunities identified. A further independent review of benefits will be undertaken next financial year.

Key initiatives impacting the benefits realisation

- In 2014 workshops were held to standardise the Principal Department corporate services processes across the finance, HR, Payroll and Procurement functions. These workshops utilised the Whole of Government Corporate Shared Services Reform process methodology developed by the Office of Finance and Services (OFS). The process maps

developed at these workshops will inform the design of the Enterprise Resource Planning (ERP) software solution and the Business Support Centre model.

- DJ is procuring the ERP Software as a Service (SaaS) in which will for the first time since DJ was formed allow for there to be a single platform for managing corporate functions. This will be rolled out in various stages and benefits will be tracked. To manage the realisation of the benefits for the JSCS program the CSMO will utilise the NSW Government Benefits Realisation Management Framework.

<i>Specific points in relation to integration across the Department of Justice</i>	<i>Response</i>
<p>3.6 – 3.9</p> <p>In his report of 2010, the Auditor-General found that there had been limited progress on the integration of policies, operations and systems following the creation of the Department. He recommended that the Department complete the integration of these policies, operations and systems between its divisions.</p> <p>In 2011, the Auditor-General found that the issue had been compounded by the transfer in of the new divisions and repeated the recommendation.</p> <p>The matter was still outstanding in 2012, and the Auditor-General further recommended that on completion of the matter, an analysis of the costs and benefits of the integration should be undertaken. However, the Auditor-General did report that a Chief Financial Officer had been appointed who had implemented a number of systems to bring consistency to the financial reporting process.</p> <p>In 2013, the Auditor-General found that there had been some progress made. Although each division's finance functions are still managed on separate systems, reporting of financial information to Treasury is now done at the Department level.</p>	<p><i>Examples of recent integration include:</i></p> <p>After the development of a DJ Office Accommodation Strategy in late 2014, approximately 30 office relocations are due to be completed by June 2015. This will enable disparate functional groups to be located with their line managers in the new structure.</p> <p><i>Structures, policy and procedures</i></p> <ul style="list-style-type: none"> • Consolidated Finance, HR, IT, AM and Legal Units • Consolidated policies and practices, including: <ul style="list-style-type: none"> ○ Single Accounting Policy for DJ and the Justice Cluster ○ Fraud Control ○ Talent pool procedures ○ Performance management procedures ○ Managing unsatisfactory performance ○ Diversity (Reasonable Adjustment) Policy & Guidelines ○ Sick leave ○ Review of promotion decision ○ Payment of professional membership fee ○ Excellence awards program guidelines ○ Reasonable adjustment ○ Capability assessment ○ Referee checks ○ Composition of assessment panels ○ Pre-employment health assessments ○ Guidelines for making verbal offer ○ Policy for managing litigation,

	<p>subpoenas, precedent documentation</p> <ul style="list-style-type: none"> • New Organisational Performance and Operations Division was established in February 2015 • New Internal Audit and Risk function being established and a single ARC to be established • Procurement templates and documentation • One DJ – ICT Strategy release • TAM Plan with integrate planning and priority setting • New Business Support Centre to consolidate transaction business services will be established March/April with the appointment of new staff.
<p>3.8 The matter was still outstanding in 2012, and the Auditor-General further recommended that on completion of the matter, an analysis of the costs and benefits of the integration should be undertaken. However, the Auditor-General did report that a Chief Financial Officer had been appointed who had implemented a number of systems to bring consistency to the financial reporting process.</p>	<ul style="list-style-type: none"> • A cost benefit analysis was completed as part of the business case analysis in August 2012. • Third Horizon undertook a financial appraisal submitted in the JSCS Business Case in 22 August 2012. • It concluded that the core transformation presented the best value for money as evidenced by the highest Benefit Costs ratio, the highest 10 year NPV, the highest IRR and the lowest payback period (6 years).
<p>3.10 The Department is also working to consolidate internal audit and risk management functions. While this is a work in progress, the current system functions reasonably well. The Auditor-General recognised that, 'in the interim, ... existing governance structures broadly achieve the requirements of TPP 09-05 'Internal Audit and Risk Management Policy for the NSW Public Sector</p>	<ul style="list-style-type: none"> • DJ conducted a review of the audit and risk management functions operating across DJ in late 2014. • This review, combined with insights gained from the functional analysis, led to the establishment of a new, consolidated and integrated, DJ-wide Internal Audit and Enterprise Risk Unit (IAER Unit). • The IAER Unit will manage a single, consolidated DJ-wide internal audit function, as well as manage a consolidated Enterprise Risk function. This includes the integration of risk related policies, procedures and systems from across DJ.
<p>3.11 The Department has received funding for its shared corporate services reforms. These reforms will lead to the implementation of a consolidated finance and human resource management solution in the Department.</p>	<ul style="list-style-type: none"> • The Department is procuring the ERP system SAP as a Service to provide a consolidated finance and human resource management solution. There will be two contracts, the first contract is for a proof of concept (March to October 2015) for Payroll

	<p>Corporate Services. If successful this will be followed by a contract for the full solution for the Department of Justice.</p> <ul style="list-style-type: none"> • There was a 16 month development time and due diligence assessment in procuring this state of the art solution. • This approach has been successfully deployed by the Singapore Government with NSW being the first Australian jurisdiction to use this approach. • It is central to the ability of the Department to realise benefits and organisational efficiency. This approach involves a new software as a service solution, which has not been previously deployed. Time has been required to prudently undertake due diligence and risk mitigation assessments.
<p>3.12 In addition, the Department explained that the integration of corporate systems, and movement towards best practice, will be further addressed through the Justice Shared Corporate Services Reforms Program.</p>	<ul style="list-style-type: none"> • With the successful on-boarding of DJ on the SAP as a service solution, there will be an opportunity for this approach to be deployed in the rest of the cluster. • The program is being developed using the standards developed by the NSW Corporate and Shared Services Reform Program (led by OFS).
<p>3.13 This program will cost \$148 million and run over five years to 2018. It intends to facilitate a Cluster-wide review of corporate services process standards, including finance.</p>	<ul style="list-style-type: none"> • July to Oct 2014 there were 33 Process confirmation workshops held to standardise the Principal Dept corporate services process standards across the finance, HR, payroll and Procurement functions. The Process maps are now being reviewed and signed off by the Functional level SMEs. • These process maps are critical drivers to the design of the ERP solution and the business support centre model.
<p>3.14 The Department also advised that it will establish a review of the benefits, efficiencies and savings that will be achieved through this process as well as the methods to deliver those benefits.</p>	<ul style="list-style-type: none"> • In June 2014 Capgemini were engaged to undertake a business case review, to inform the capacity of the self-funding model to fund the program, to revisit the current business case baseline and reflect the changed landscape from Jun-2013. • The NSW Government Benefits Realisation Management (BRM) Framework was adopted by DJ Corporate and Shared Services.
<p>3.15 However, the Auditor-General highlighted that at the time of his report, the Department could</p>	<ul style="list-style-type: none"> • With the state of currently operating fragmented processes and systems, this is still largely the case.

<p>not provide information on additional costs associated with the integration of its divisions, or the expected savings.</p>	
<p>3.16-3.24 relate to victims services</p>	<ul style="list-style-type: none"> • Not relevant to this request.
<p>Regarding integration between divisions: 3.25 The Department told the Committee that it is undertaking a number of internal reviews to examine processes and policies to continue implementing the Auditor-General's recommendation and develop a streamlined approach across the Department.</p>	<ul style="list-style-type: none"> • A functional mapping of the department was undertaken in November 2014. From this information a series of consolidation opportunities have been identified by the DJ Executive Board. These will be further developed during the 2015-16 Corporate Planning process, with some priority areas already underway. • For example, in corporate service areas Process maps from the Process confirmation workshops are driving the design of the new SAS ERP solution and the business support centre model. • The initial focus of the Process standardisation is the Principal Department prior to cluster engagement and deployment • The Policy consolidation work is in progress with the priority focus on HR policies for the Principal Department.
<p>3.26 The Department is currently focusing on the corporate services area. With the view of providing a single platform for corporate service delivery, it has consolidated all relevant processes, policies and procedures.</p>	<ul style="list-style-type: none"> • As outlined above, DJ has contracted for a department-wide ERP solution using a cutting edge SAP as a service deployment. Such a service has only recently been offered by the market.
<p>3.30 The Committee commends the ongoing work by the Department to fully integrate policies, operations and systems between its divisions. The Committee recognises the size of this task and the scale of the project to be undertaken. However, the Committee notes with concern the length of time the work has been ongoing and notes that the Auditor-General will continue to make recommendations in this area until it is complete.</p>	<ul style="list-style-type: none"> • There was a 16 month development in procuring the solution, which will impact the implementation and realisation of benefits. However, this was necessary with due diligence undertaken to ensure risks were identified and mitigation strategies developed and reflected in contractual arrangements.