



Innovations in Finance and Procurement

Key corporate trends
shaping state government
procurement, finance
functions and emerging

August 2022

Sydney | Melbourne



Context – corporate priorities

The COVID-19 pandemic changed the way most industries operate. For most office workers across the corporate sector, initially it forced employees to work from home, but then as the pandemic began to recede, many of the workers returned to the office and realised that things had to change. Overall, working in silos is now clearly no longer viable, with every office and sector embracing collaboration and better communication. But beyond the basics, there are other areas which the public sector can and should be focussing on.

In August 2022, over 150 people across Melbourne and Sydney came together to participate in Public Sector Network’s Corporate Roadshow. In line with the priorities and trends of the two largest states ahead of imminent state elections, the event in Melbourne focussed on procurement whilst the event in Sydney showcased finance innovation. In both jurisdictions the event began with polling questions. While the focus areas for the two states was different, the questions were intentionally kept the same to see if any comparisons could be drawn. As can be seen from the results below, for most questions the results across the two states were comparable.

The only real discrepancies between the two states come in the answers to questions 3 and 4, but it is likely that this comes down to different interpretations rather than genuine differences. For instance, in both NSW and Vic, there is a focus of shifting to a more advisory / support role, but they are at different stages of this focus, whilst in terms of the success of a culture of continuous improvement, distinguishing between limited and moderate success is sometimes difficult to do. For the most part however, since the majority of the participants were from state government agencies, it is not surprising that most of the responses and priorities were similar.

More than discrepancies however, it is interesting to note that across the board,

Our top corporate transformation priority over the next 6-12 months is	NSW	VIC
Digital by default	16%	11%
Building stronger data capabilities	35%	34%
Automation	13%	20%
Upskilling our talent to complement new technologies	35%	34%
What is the biggest barrier to reaching your innovation goals?		
Our people (e.g. staff)	23%	23%
Our processes (e.g. structure)	32%	38%
Our tools (e.g. digital)	3%	13%
Our technology (e.g. infrastructure)	23%	8%
Our leaders (e.g. management)	19%	20%
Is shifting away from transactional processes to a more advisory / support role a primary focus for your function in 2022?		
Yes – our back office already operates this way	3%	3%
Yes – this is our current focus	53%	28%
Yes – but we’re not there yet	20%	49%
No – but it should be	20%	13%
No – not a priority	3%	8%
How successful has your corporate / finance / procurement team been at building a culture of continuous improvement?		
Too Early to Tell	3%	17%
Limited Success	27%	40%
Moderately Successful	60%	36%
Highly Successful	10%	7%

building stronger data capabilities and upskilling staff are the two greatest priorities from the next year, both of which are probably connected to the pandemic. Most people also think that shifting to a more advisory or support role is or should be the current focus, whilst building a culture of continuous improvement is another measure of success that people are striving towards, whether that be in the field of finance or procurement. In other words, the participants at this roadshow came with the right intent and were willing to implement innovative practices to better their operations.

NSW – Transforming finance functions into intelligent decision-making hubs

What needed to change

Across all sectors, it was clear that things had to change in light of the pandemic and in light of global trends. The technology that was so instrumental in ensuring that employees could work remotely, was now needed to enhance other areas. With a focus on finance, at Revenue NSW, which is the agency of the state government that ‘manages taxes, fines, debts, and administers grants,’¹ **Dan Bowes**, the Executive Director of Taxes and Grants, says that “we live in challenging times.” These days are “unpredictable, changeable, difficult, fast-moving, novel and exciting.” What this means is that for customer/clients as well as for staff, the circumstances are never stable. Yet customers still have a “fair expectation of being treated well and they have seen some real progress in transactional efficiency,” whilst at the same time, “there has never been access to so many sources of expertise, insights and experience.” This gives everyone an incredible opportunity to “improve our work with advanced technologies,” but it is also important to note that “long-term demographic factors as much as anything else mean that finances will be stretched.”

For the Department of Enterprise Investment and Trade (DEIT) it was less about what needed to change and more about working in different ways. **Deirdre O’Neill**, the Director of the Commercial Transactions Team, says that they needed to work with the private sector in new ways to “deliver innovative places, precincts, and infrastructure.” After all, DEIT “drives the NSW Government’s commitment to economic transformation and thriving communities,” but it was only established on 1 April 2022 to “bring together NSW’s key cultural, sports, hospitality, entertainment and tourism agencies alongside its leading economic development and investment attraction organisations. Our mandate is to grow investment and create jobs throughout

NSW.” This means “positioning NSW as the best place in the world to live, work, invest, visit, study, and play.” Much of that work has to be done with the private sector so that the innovation of the private sector can become aligned with the outcomes and objectives of the public sector.

The Commercial Transactions team in particular “applies commercial expertise to maximise the public benefit of major infrastructure procurement and commercial asset transactions and operations.” This is achieved through a whole series of processes for many “complex and high profile projects,” and through a vast series of collaborations with public sector agencies and of course, the private sector.



¹ <https://www.revenue.nsw.gov.au/>

How the changes were made

Revenue NSW

Given the change in circumstances and financial pressures, Dan Bowes says that to improve their work, they created and use a four-step process:

- See what is really happening – Too often humans “see things how they think they are or how they should be rather than how they really are.” To see things clearly it is important to be “clear about customer value streams and to have good performance data that is measured against control limits.” It is also important to see and understand “process flows, elapsed times, processing times, error rates and throughput accuracy.” Some of these things are a bit complicated but add to the clarity of seeing the current state for what it is.

- Improving people – The people that want to make changes often have big ideas, but the key is to “start small. People will get the hang of it.” On top of that, it is very important to note that “the people doing the work generally know how best to improve it, so empower them.” Overall, people want to feel like they are contributing, and “most people are smart, so get them doing things that require brainpower.” This will improve them and the overall setting.
- ‘Big ideas’ about the drivers of value – There are plenty of “important things that drive big shifts in outcome that your customers value.” However, one big idea is enough and there is always at least one important thing that “you can improve or change that is worth focussing on.” This one thing is also “how you get support to fund the transformation,” and often, if one transformation is successful then it will lead to the next one. Related to the previous point, start small and then “build on your success.”
- Take the available tools seriously – These days in almost every industry, there “have never been more tools available to assist in transformations.” In all public sector agencies, there are “best practice service designs.” There are also “good examples of AI and intelligent process automations.” Given the proliferation of these, it is incumbent on agencies to take advantage of them and “to find the right people to implement them.” Using existing platforms and/or tools will “reduce timeframes and set up costs, and will provide access to data repositories and analytics.”



Department of Enterprise Investment and Trade

At DEIT, to achieve the collaborations they require, especially with the private sector, Deirdre O'Neill says that they employ a number of methodologies. The first is called 'Direct Dealing', which "refers to exclusive dealings between a government agency and non-government sector body over a commercial proposition or proposal." This can take the form of solicited or unsolicited proposals, direct engagements or exclusive engagements based on specific circumstances. Either way, "there must always be a clear, demonstrated justification for entering into exclusive negotiations," and there are very strict ICAC guidelines and guiding principles as well.

The NSW government also welcomes unsolicited proposals (USPs) which according to the government website, 'provide opportunities for the NSW Government and the non-government sector to work together to develop and deliver innovative ideas, places, services and infrastructure. Successful projects have generated billions of dollars for the NSW economy to date.'² They are useful and beneficial to the government because they have "uniqueness, provide a return

² <https://www.nsw.gov.au/unsolicited-proposals>

on investment, generate capability and capacity, affordability, value for money, and can have a whole-of-government impact." However, for each of these traits, there is a "three-staged USP assessment process." Following a pre-submission concept review, each proposal has a preliminary and then strategic assessment, a detailed review and then a "negotiation of the final binding offer."



Unsolicited proposals are a form of direct dealing and are both a pathway and a process, but they are an appropriate pathway for the market to approach NSW Government in relation to direct dealing opportunities."

Deirdre O'Neill, *Director, Commercial Transactions Team*, NSW Department of Enterprise Investment and Trade

One such example was the Atlassian headquarters building in central Sydney, and another was the Westmead Health and Innovation District, which is now part of the University of Sydney.





Continuing to improve

The focus of the NSW event was on finance, and all three presenters spoke about how their projects have benefited their bottom line through innovative examples and by using products or services in different ways. Dan Bowes says it was about generic transformations rather than specific examples with measurable impacts.



Whatever the context or the area of the business, getting lasting transformation is about understanding how things really are compared to how they should be, making sure your team are activated as business improvers, then figuring out what your big opportunity is, and then driving hard with the amazing tools we now have at our disposal.”

Dan Bowes, *Executive Director, Taxes and Grants, Revenue NSW*

Meanwhile at DEIT, Deirdre O’Neill says that they have been successful because they have a “multi-disciplinary, high performing team.” They have recruited from different industries, identified strengths within their team and have figured out what they are good at and how they can direct their talents. To continue in this process, they “gather formal and informal feedback from the market on our performance, share lessons learned, collect metrics for analysis, regularly review our guidelines and encourage innovative ideas from the private sector aligned with government priorities.”

Like the participants at the roadshow, all the presenters showed that they are keen to make a difference, know what their challenges or barriers are, and are looking at ways of overcoming them in new and innovative ways for their financial benefit.

VIC - Enhancing state government procurement with emerging technology

The importance of understanding procurement

For many people, the concept of procurement very likely feels like it is technical, specialised and just a small part of the overall running of a business or organisation. And whilst all of these things are somewhat true, procurement can and should also be much bigger and much more important than simply a niche specialisation. For instance, Marija Maher, the Chief Operating Officer of the Victorian Ombudsman, says that the perception of procurement is that “when people realise that their major contracts are about to expire, they have no idea or knowledge of the market and that is when they turn to procurement.” But if that happens, it is way too late. One of the main missions of the office of the Victorian Ombudsman is to ‘hold the Victorian public sector accountable to the people of Victoria’³. As such the office often hears of incidents when the procurement function wasn’t engaged properly or early enough, with disastrous consequences, most of which could have been reversed with better timing and more of an understanding of what procurement is and why engaging with them earlier is so important.

One of the reasons for the disastrous consequences is because the procurement process - especially to outsiders - often feels very complicated and technical. In fact, Thomai Veginis, the Chief Procurement Officer at the Victorian Department of Transport, says it “can feel like a maze. And when people find it gets too hard, they often take shortcuts or disengage. Procurement teams are there to help you navigate your way through the maze.”

The idea is to ensure that through an appropriate strategy and internal collaboration, “procurement efforts are

unified, efficient and understood by all.” To achieve this kind of unified outcome requires a proactive approach. For instance, there needs to be “symbiotic relationships so that there is a clear understanding of what the business wants to buy.” On top of that, and possibly more importantly, “our executives are aligned about the role they want procurement to play in the organisation.” To ensure this, there are “stakeholder engagement plans and regular communication messages to help reinforce the procurement message.”

Furthermore, it is important to “explicitly agree on the strategy with our stakeholders and how success will be measured.” Internally, it means having “defined roles and responsibilities and having easy-to-read and easy-to-implement procurement policies.” All of this is designed to ensure that the processes are “simple, documented and understood.”



³ <https://www.ombudsman.vic.gov.au/about-us/>

What happens when things go wrong?

However, though simplified and easily understood processes this is the ideal, it doesn't always happen that way. When things go very wrong, the Victorian Ombudsman sometimes gets involved, and Marija Maher says that there are a few stand-out cases from the last few years that show what happens when procurement is not involved from the outset.

The first example comes from the now defunct Office of Living Victoria, which was set up in 2012 to change the water management services across the state. Within a couple of years however, headlines appeared in the papers that read "Victoria's water agency ignored government policies," and "Conflicts, breaches at Vic water agency." By mid-2013 the affairs of the agency were brought to the notice of the Victorian Ombudsman, and a year later

a report was released, after which the agency was shut down. In part, the report suggested that 'the underlying philosophy appeared to be based on the view of its senior management that it had to 'crash through' alleged bureaucratic intransigence and resistance to its reform agenda, and that public service inertia and processes would stymie effective and timely change.' There were also very public examples of conflicts of interest. The report therefore goes on to say 'Government procurement policies exist to protect the public purse; poorly managed conflicts of interest can fundamentally undermine the integrity of public administration. They are not optional extras for agencies funded by public money.'⁴ Following the release of the report, the headlines read "Living Victoria: Ombudsman stirs up state water agency" and "Ombudsman buckets water agency." This shows the power of the Ombudsman but also what happens when procurement procedures are not followed.

In another more egregious example, 'a well-paid council IT contract worker directed \$1.6 million of ratepayers' money into one of his own companies with a Victorian Ombudsman investigation finding lax oversight allowed him to manipulate processes.'⁵ The real tragedy of the process was that somehow the council procedures allowed him to "approve his own contract applications." He set up "sham contracts and was able to swindle money under the noses of the Council." This led to an entire shake-up of the local government sector, but was one of a number of other examples. For instance, a "council cemetery gravedigger intentionally buried bodies in the wrong plots so that they could be exhumed while he pocketed the cash for memorials." And in another case, "a council CEO had to be sacked after a damning Ombudsman's report revealed serious misconduct."



⁴ <https://assets.ombudsman.vic.gov.au/assets/Reports/Parliamentary-Reports/1-PDF-Report-Files/Investigation-into-allegations-of-improper-conduct-in-the-Office-of-Living-Victoria.pdf>

⁵ <https://www.ombudsman.vic.gov.au/our-impact/news/council-it-workers-1-6-million-procurement-sham/>

Changing the procurement practice

With appropriate procurement procedures in place, these kinds of examples should be a thing of the past. Though the web of procedures may be complicated, Marija Maher says there are many simple things that can be “enacted to ensure that processes are followed” as they should be.



Ultimately good procurement practice is about accountability, transparency and probity.”

Marija Maher, *Chief Operating Officer, Victorian Ombudsman*

In basic terms, it is important to have “internal controls, management oversight and an ethical culture.” As part of that, it means having “recruitment probity, demonstrated values that are led by example, and whistleblower and protected disclosures.” When it comes to probity overall, it means having a visible and known “gifts, benefits and hospitality register, that procurement policies exist and are enacted, and that conflict of interest policies also exist and are enacted.” Having all these in place and known to all staff will go a long way to ensuring that the Ombudsman has no reason to investigate.

On top of that and as part of that, Thomai Veginis says that “information is key. Collect it efficiently and use it effectively.” Feedback from within the organisation is also important, as it gets people thinking about the relevant issues, as is ongoing training, and not just for procurement staff. “Technology can also help with transparency and the management of the procurement process.” What is important to remember is that when it comes to public spending, “the basic social contract between governments and citizens is continually changing.”



There is a heightened need for transparency and accountability to help citizens understand how public funds are being managed and spent, how decisions are made and why, and the evidence and information to support those decisions.”

Thomai Veginis, *Chief Procurement Officer, Victorian Department of Transport*



Conclusion

Whilst the pandemic changed the way many industries operate, some things will never change. To be successful, companies, government agencies and even not-for-profits need to be sustainable. They need to procure or secure products or clients in ethical and appropriate ways, and they need to bring in funds to ensure that they can keep

operating. Participants in Victoria, NSW and undoubtedly the rest of the country have a continued interest in these fields, and as the polling results show, they are keen to change the way they operate to ensure that they remain sustainable and viable well into the future.

Featured Speakers



DAN BOWES

*Executive Director,
Taxes and Grants
Revenue NSW*



DEIRDRE O'NEILL

*Director, Commercial
Transactions Team
Department of
Enterprise Investment
and Trade (NSW)*



MARIJA MAHER

*Chief Operating Officer
Victorian Ombudsman*



THOMAI VEGINIS

*Chief Procurement
Officer
Department of
Transport (Vic)*



About Public Sector Network

Public Sector Network is a research company that represents public sector professionals across Australia, Canada, New Zealand, and the USA. We develop research, roundtables, events, and webcasts to suit current areas of interest to government agencies and their suppliers.

The public sector consistently faces shrinking budgets and growing expectations, forcing them to be one of the most innovative and resourceful industries in the world.

Regardless of department, agency, level of government or geography, public sector employees are all striving to tackle similar challenges and priorities.

Join Public Sector Network's communities of practice to share ideas and insights, and to access to the latest research.

www.publicsectornetwork.co



CONNECTING GOVERNMENT WWW.PUBLICSECTORNETWORK.CO

AUSTRALIA / NEW ZEALAND
P +61 2 9057 9070
E info@publicsectornetwork.co

USA / CANADA
P +1 (647) 969 4509
E contact@publicsectornetwork.co

Public Sector Network (Australia) Pty Ltd
ABN - 46 617 870 872

Level 22, 56 Pitt St,
Sydney NSW 2000, Australia