Queensland Audit Office

Online service delivery

Report to Parliament 8 : 2012-13

Queensland Audit Office

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The Honourable F Simpson MP
Speaker of the Legislative Assembly
Parliament House
BRISBANE QLD 4000

Dear Madam Speaker

This report is prepared under Part 3 Division 3 of the *Auditor-General Act 2009*, and is titled Online service delivery.

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

Yours sincerely

Andrew Greaves
Auditor-General

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Summary

Research shows that strong and growing demand exists for online public sector services. Online services can reduce transaction time and give customers freedom to conduct activities any time, any place, on any device. Online services can also reduce the cost of delivering services by moving customers to lower-cost channels.

The private sector, in particular banks and the airline industry, has embraced the lower-cost, self-service online options through the internet and mobile devices for faster, more responsive services. Now customers expect public sector services to offer the same speed and responsiveness.

We examined the use of online services by the public sector and whether the public sector is optimising information technology for these services. The Brisbane City Council and the following State Government departments were examined:

- Department of Science, Information Technology, Innovation and the Arts (Smart Service Queensland)
- Department of Transport and Main Roads
- Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Queensland Treasury and Trade (Office of State Revenue).

In addition, all other departments were surveyed to determine the current level of services each offered online.

Conclusions

The public sector is not meeting the increasing customer expectations of more online service options. As a result public services cost more to deliver than they need to, and the public incurs higher 'transaction' costs in its dealings with the public sector than they should. A lack of strategic leadership, central co-ordination of service delivery methods, and failure to update technology has led to this sub-optimal result.

While the public and businesses can be reasonably assured that credit card holder data collected, by entities we audited, through their online channels complies with the required security standards, there is less assurance that other personal information provided online is as well protected.

Key findings

Current status of online service delivery

Presently, 28 per cent of transaction-based services across departments are available online, well short of the 50 per cent government target set in 2009.

The current situation reflects the failure of central initiatives to increase online services over the past decade. Smart Service Queensland, set up in 2002, has not achieved its mission as the primary point of contact for Queenslanders for government services. Strategies developed in 2007 and replaced in 2009, failed to align customer preferences, departmental services and delivery channels.

The requirement that online services be delivered through Smart Service Queensland was not enforced, and take-up of its services has fallen well below initial projections, calling into serious question the cost-effectiveness of this business model.

In addition, each department does not have a systematic assessment of customer preferences and service delivery costs by the various channels. The lack of current technology also inhibits the ability of departments to deliver more complex services online. As a result, departments have not achieved the full potential of new and emerging technology for online services.

Service delivery strategies

There is no central strategy at the state level to guide departments to align their channel capabilities with services and customer expectations. Each department manages its own service delivery channels with little central co-ordination.

Brisbane City Council uses a service delivery channel strategy that includes customer needs and delivery options, but no department has developed a channel strategy. The proactive selection of service delivery options based on analysis of current and emerging technologies and customer preferences is not undertaken in departments. As a result, several services that can be provided online are still being conducted through traditional channels. For example, the following services are not available online:

- ordering of birth, marriage and death certificates
- repayments, arrears management and balance checks by public housing tenants
- booking for breast cancer screening services
- application for a driver's licence or learner's permit
- application by prospective tenants for the National Rent Affordability Scheme
- title search by landowners.

Departments that provide services to business and industry have been more successful in moving their customers to online channels. The business community has strong demand for online services. The two departments in this audit that provide services mainly to the business community have expanded their online presence, moving 95 to 100 per cent of customers to the online channel. The Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) is successfully managing the whole-of-government business and industry website and is well positioned to develop a central strategy for business related services across the public sector.

Technology capability and security

With the exception of DTESB, departments and the council audited did not have sufficiently flexible and agile technologies to meet customers' growing demand for online systems. In addition there is a lack of technology for complex online services that need identity verification. The Queensland Government Chief Information Officer is evaluating an authentication system that can be used by departments.

The departments we audited are not well prepared for internet security attacks that are becoming more sophisticated and targeted. While risks concerning credit card information have been carefully considered, the non-financial personal information collected through online services by two of the departments was not appropriately secured.

Cost-effectiveness of online services

The Department of Transport and Main Roads records and compares the cost of delivering services across each of its channels and uses the data to inform business cases for new online projects. But it does not use this data effectively to inform strategic decisions about service delivery options.

Other departments and Brisbane City Council lack systems to accurately record and monitor the cost of each service delivery option. Therefore, they are unable to quantify potential efficiencies of moving services online or improving efficiencies of existing online services.

The Office of State Revenue and DTESB have achieved financial savings by moving services online and closing counter services. This may not be appropriate for departments with a larger customer base that demand services over multiple channels. But moving to online services frees up counter services for more complex transactions and reduces the waiting times to access those services.

One Stop Shop

The One Stop Shop program is intended to create a customer-centric service delivery model, across the public sector focusing on the customers' perspective. The business case for this project is due to be finalised in March 2013. A central channel strategy will be one of the products of the One Stop Shop program.

Recommendations

1. **It is recommended that the Department of Science, Information Technology, Innovation and the Arts ensures that the central channel strategy includes:**
   - **aligning current service delivery options with customer needs, service characteristics and central priorities with consideration given to developing separate strategies for public and business online services to meet the specific needs of these customer segments**
   - **increasing the number of services available online and moving customers to the preferred channels for each service**
   - **a benefits realisation plan and migration plan for each department to ensure that the expected benefits of implementing the central channel strategy are realised**
   - **performance indicators to measure the success of the online channel for satisfying customer needs.**
2. **It is recommended that each department develops and implements a channel strategy consistent with the central strategy.**
3. **It is recommended that all departments document the security design and use this to identify and mitigate security risks of online services.**

It is recommended that all departments and the Brisbane City Council:

4. **identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.**
5. **collect and use data on cost and demand to optimise the mix of channels used for services.**
6. **It is recommended that the Department of Science, Information Technology, Innovation and the Arts reviews Smart Service Queensland's business model and costs to ensure the benefits of using a service provider for departments are realised.**

Reference to entity comments (Appendix A)

In accordance with Section 64 of the *Auditor-General Act 2009*, a copy of this report was provided to the following entities with a request for comments:

- Department of Science, Information Technology, Innovation and the Arts
- Department of Transport and Main Roads
- Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Queensland Treasury and Trade
- Brisbane City Council.

Their views have been considered in reaching our audit conclusions and are represented to the extent they are relevant and warranted in preparing this report.

A copy of this report was also provided to the Premier and appropriate Ministers.

The full comments received are included in Appendix A of this report.

1 Context

1.1. Online services

The Australian Government Information Management Office study of 2011 found a high proportion of consumers prefer to use the internet to:

- obtain information from government (42 per cent)
- provide information to government (42 per cent)
- exchange information with government (38 per cent)
- receive payments from government (46 per cent)
- make payments to government (42 per cent).

Online services are a convenient alternative for time-poor and geographically dispersed customers. They can be accessed anywhere, anytime, from any device. There is no waiting and no queuing.

Online services are also highly cost-effective for the public sector. Research commissioned by the UK Government found the cost of online service delivery to be a fraction of traditional methods (Figure 1A).

Figure 1A
Average costs of transactions in different channels

Face-to-face	Telephone	Mail	Online
£10.53 ($A16.00)	£3.39 ($A5.15)	£12.10 ($A18.40)	£0.08 ($A0.12)

Source: Adapted from The Economic Case for Digital Inclusion, October 2009, p.47

As public services are provided to a range of demographic groups, no one channel of service delivery will meet all customer needs. The Queensland public sector currently provides services to business and the public through several channels — over the counter, telephone, online, emails, SMS and speech recognition.

Online services presently allow the public to:

- pay some bills over the internet instead of lining up at a counter or spending time on the phone
- renew driver's licences and change driver's licence address
- fill out and submit some forms online without the need to download, print and mail or present at a counter.

1.2. Channel strategy

Channel management is used to determine the optimal mix of service delivery methods. It combines information on what business and the public want with the cost of delivering the service through each channel. A channel strategy is developed from this analysis, which may include implementing new channels if required, and providing incentives for customers to move to preferred channels, for example, providing discounts if bills are paid online.

1.2.1. One Stop Shop

The government is reviewing its approach to service delivery through the One Stop Shop program, announced in September 2012. This includes a channel management approach and strategies to encourage users to shift to more cost-effective channels, particularly online.

The One Stop Shop program is expected to 'provide Queenslanders with easy and convenient access to government information online, over the phone and face-to-face'. The aim is to deliver a new model for service delivery from the customer's point of view, rather than the traditional way of delivering services through separate departments. This model has been adopted in many countries and in other jurisdictions in Australia. A group of senior officers from across the public sector is developing a business case for the One Stop Shop, which is expected to be submitted by March 2013. The Department of Science, Information Technology, Innovation and the Arts is the program owner.

1.3. Security requirements

In addition to designing services from the customer's point of view, the information customers provide to departments needs to be appropriately secured. Online services create specific information technology security risks associated with the electronic transmission and storage of information from business and the public.

The Queensland Government Chief Information Office develops standards and guidelines for departments to manage their information technology security risks. These standards and guidelines have existed for several years and are updated regularly.

Specified security standards apply where credit card information is collected through online services. The Payment Card Industry (PCI) Data Security Standard (DSS) is the industry standard for protecting cardholder data.

There are two main options for entities to deliver services that collect credit card payments online. One option is to collect the payments over departmental systems and transmit the data to the bank. This requires the entity to comply with all requirements of the PCI-DSS standard. The alternative approach is to transfer the responsibility for collecting credit card data to a payment service provided by a bank. This entails the entities obtaining an assurance report from the service provider. Both approaches are used by the departments and the council included in the scope of this audit.

1.4. Audit scope

The scope of this audit included the Brisbane City Council and four state departments that provide online services to the public, business and industry:

- Department of Science, Information Technology, Innovation and the Arts (Smart Service Queensland)
- Department of Transport and Main Roads
- Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Queensland Treasury and Trade (Office of State Revenue).

They each have different roles, responsibilities, services and customers; and these differences determine the extent to which they can provide online services.

1.4.1. Brisbane City Council

Brisbane City Council (BCC) provides local government services to Brisbane residents and businesses. It is the largest council in Australia and services are provided through multiple channels, including counters, phone and the internet. BCC provides simple services that allow the public to report damage and request maintenance, including:

- Waste Services — new or damaged bins, missed waste collection
- Parking Service — illegal parking, parking meter maintenance
- Animal Services — animal registration, lost and found animals
- Road Services — road and footpath maintenance
- Vegetation Services — parks maintenance, branch trimming.

BCC has used online services to deliver simple and some complex transactions, including rate payments, animal registrations, waste services and plumbing certifications since 2000.

1.4.2. Smart Service Queensland

Smart Service Queensland (SSQ), a business unit of the Department of Science, Information Technology, Innovation and the Arts, provides services mainly to the public. It uses counter, phone and online channels to deliver these services on behalf of public sector entities.

SSQ has provided information, transaction and payment services since 2002 through the government's website www.qld.gov.au.

In 2009, SSQ was mandated by government as the preferred provider of online and telephone services. The policy required that departments could opt out of SSQ only if they produced a supporting business case. At that time, a target was set for 50 per cent of all government services, excluding those requiring face-to-face contact, to be delivered online through SSQ by 2012.

1.4.3. Department of Transport and Main Roads

The Department of Transport and Main Roads (DTMR) provides transport-related services mainly to the public and to a lesser extent to business. Services include:

- vehicle and vessel registration and licensing
- payment of fines and infringements.

DTMR delivers both simple and complex services through several channels, including 63 customer service centres across the state, Australia Post services, online, BPAY and integrated voice recognition. Online service has been used as a channel since 2003.

1.4.4. Department of Tourism, Major Events, Small Business and the Commonwealth Games

The Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) provides information services to business and industry via phone and the website www.business.qld.gov.au. This website was established in December 2010 and is operated by DTESB. It includes advice on how to run a small business and is the government's main portal for industry specific services. It also includes a provision for online transactions, such as registration and licensing services and applications for tenders and grants for small businesses.

1.4.5. Queensland Treasury and Trade

Queensland Treasury and Trade's business unit, Office of State Revenue (OSR), provides services predominantly to businesses. Services include:

- collection of state taxes (duties, payroll and land tax)
- collection of mining and petroleum royalties
- provision of education and support to registered self-assessors.

OSR provides these services online and, to some extent, by post.

1.5. Audit objectives, method and cost

The objective of the audit is to assess whether the public sector has optimised its use of information technology for the delivery of services online. The audit examined:

- the availability and accessibility of public sector online services
- the reliability and security of public sector online services
- the cost-effectiveness of online service delivery.

The audit was undertaken in accordance with Auditor-General of Queensland Auditing Standards, which incorporate Australian auditing and assurance standards.

The cost of the audit was $355 000.

1.6. Structure of the report

The report is structured as follows:

- Chapter 2 examines service delivery options.
- Chapter 3 examines technology capability and security of online services.
- Chapter 4 examines cost-effectiveness of online services.
- Appendix A contains responses received.
- Appendix B outlines the audit method.

2 Service delivery options

In brief

Background

To understand changing customer needs and expectations requires a high level of engagement with both individual and business customers. Opportunities from new and emerging technologies are central to determining the most cost-effective service delivery.

Conclusions

The strategic leadership at a whole-of-government level to increase departments' capability to meet customers' expectations has been absent. Departments have not used channel strategy methods effectively to close the gap between the rapid change in technology, customer expectations and current capabilities. As a result, service delivery remains uncoordinated with each department adopting its own methods and there is missed opportunity for substantial cost savings for both departments and the customer.

Key findings

- Central strategies to manage service delivery channels have been ineffective. Current central online services by Smart Service Queensland are not used in significant volumes by departments.
- The delivery of online services to business has been more successful but there is no central strategy for managing service delivery channels for businesses.
- Departments do not have accurate data or measures to gauge their performance in shifting customers to lower-cost channels. The Department of Transport and Main Roads has reports that include channel usage but this information is not used to develop strategies to influence customer behaviour.
- The Department of Tourism, Major Events, Small Business and the Commonwealth Games measures customer satisfaction effectively using a variety of methods. Other departments audited either did not have sufficiently detailed assessments or were not timely in their assessments.

Key recommendations

It is recommended that:

1. **the central channel strategy aligns current service delivery options with customer needs, service characteristics and central priorities with consideration given to developing separate strategies for public and business online services**
2. **each department develops and implements a channel strategy consistent with the central strategy.**

2.1 Background

Online service delivery requires a fundamental shift in the way the public sector delivers services. Developing a channel strategy allows entities to assess the best mix of channels to deliver their services and their performance in delivering services according to customer needs.

The Australian Government Information Management Office developed the *Delivering Australian Government Services: Managing Multiple Channels* that describes how to develop a channel strategy, including:

- understand and process information an entity currently possesses on services, channels and customers
- align channels with customer needs, service characteristics and entity priorities
- determine the measure of success
- develop a plan for implementation of a channel strategy
- evaluate and refine the channel strategy.

Figure 2A
Channel strategies

Steps to develop a channel strategy
To develop a channel strategy, the following analysis needs to be performed: • what services do we offer? • who are the customers who use these services, and what is their preferred way of accessing these services (for example, counter, phone or internet)? • how much does each channel cost to deliver services? This information can then be used to inform the following decisions: • which channels do we want customers to use for each service? • what incentives can we offer to move customers to our preferred channels? • how will we measure our performance in achieving an optimal mix of channels, and in satisfying customer needs?

Source: QAO

This chapter examines the central strategic direction for online service delivery, and whether departments develop strategies to select and manage various channels for delivering services to the public and business customer groups.

2.2 Conclusions

The 2009 *Toward Q2 through ICT* target of 50 per cent of services available online by 2012 has not been achieved. This is in part because the departments have not kept up with the pace of change in customer expectations for online services and are not using the full potential of information technology for its services.

Strategic leadership and central direction has been notably ineffective, and departments have not implemented comprehensive strategies for managing all their service delivery channels. As a result, service delivery methods remain disparate across departments.

Simple transactional services have been made available online, but there is significant capacity through online services technology to deliver much higher volumes of these services, thereby achieving substantial cost savings for both departments and the customer.

2.3 Findings

2.3.1 Strategy and direction for online services

Customers interact with departments through various channels (online, phone, counter and mail services). The increasing popularity of the online channel gives departments opportunities to revitalise service delivery and reduce costs, but it requires a fundamental shift in thinking about service delivery with a strategy that aligns services, channels and customer preferences.

A channel strategy is a tool to make decisions on what service delivery channels to use and how to measure the success of delivering these services.

However, central leadership and direction has been missing in this regard and instead of adopting a channel strategy supported by an overarching strategic direction across the public sector, service delivery is disparate and has been left to the direction of individual departments.

The One Stop Shop program aims to improve the availability and consistency of services to the public. A senior officers group with representatives from 12 departments has been established to deliver this program. The Department of Science, Information Technology, Innovation and the Arts is responsible for delivering the program's outcomes.

Whole-of-government channel strategy

A central channel strategy for service delivery does not currently exist, but will be developed as part of the One Stop Shop program. In addition, there is no requirement for departments to develop a channel strategy for their services. Therefore, customer needs, government services and the channels used to deliver those services are not explicitly aligned. Each department manages its own service delivery channels with limited central coordination.

Progress over the past 10 years to develop effective strategies for service delivery has been slow. Smart Service Queensland (SSQ) was established in 2002 to be the front door to Queensland Government services through multiple service delivery channels. SSQ developed a channel management strategy in 2007. This was replaced by *Toward Q2 through ICT* in 2009, which set a target of 50 per cent of all government services to be delivered online by 2012. SSQ did not assess performance against this target as there was no inventory of services to use as the baseline. Data compiled recently by the One Stop Shop program shows that only 28 per cent of basic transactional services are currently available online.

The Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) is successfully managing the whole-of-government business and industry website. However, there is limited central co-ordination in managing service delivery channel strategies for all business related services across the public sector. As a successful and effective operator of the government business and industry website, DTESB is well positioned to develop a central strategy for government services provided to business.

The One Stop Shop program has compiled an inventory of services delivered by each department. However, departments do not have channel strategies, so collating an inventory of services has been a difficult process and the inventory may not be complete. The program has identified 128 services that could be moved to the online channel. Examples of services that are currently not available online are:

- registering a birth
- applying for a birth, marriage or death certificate
- demerit point check
- transferring or cancelling a vehicle registration
- applying for a driver's or learner's licence
- applying to pay infringements issued in person, through a voluntary installment plan
- titles registry search
- applying to be registered as a teacher.

Of the above eight examples, five of these services are available online in other Australian states.

Departmental channel strategy

Our survey of all state government departments found that none had developed channel strategies. No department has a document that identifies all their services, the channels used to deliver those services, and how performance of each channel is assessed.

The Brisbane City Council model

In contrast to the State Government departments, the Brisbane City Council (BCC) has developed a strategy that articulates customer and BCC preferred channels for service delivery. BCC used the *Delivering Australian Government Services: Managing Multiple Channels* to develop this strategy. The steps taken by BCC to develop their channel strategy are outlined in Figure 2B.

Figure 2B
BCC case study

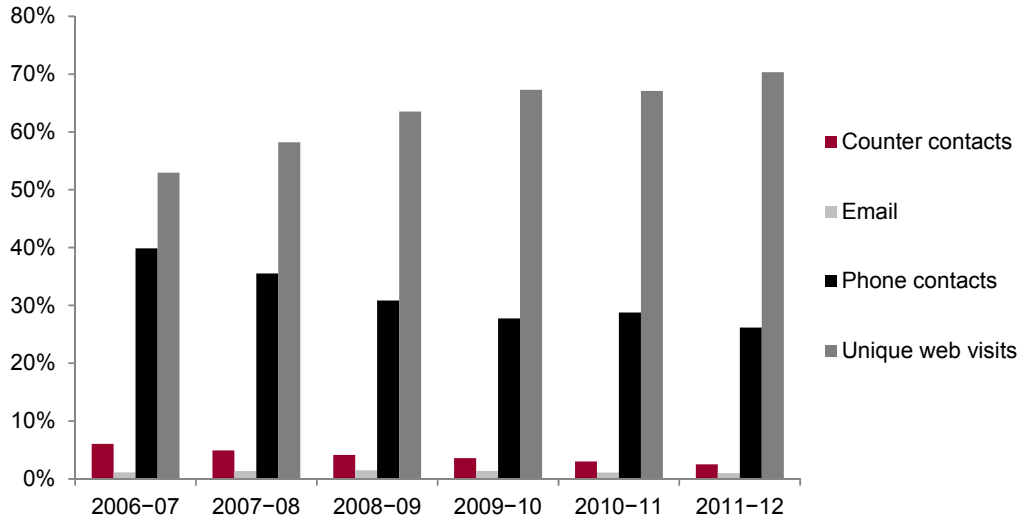
Steps undertaken by BCC to develop a channel strategy
BCC developed a channel management strategy in 2007 for 2007–2012. In developing the strategy, BCC took into account: • general trends, including research by state and Australian Government organisations • the outcomes of research performed over BCC's own customer base • BCC's preferred channels for delivery of various types of services. As a product of this analysis, BCC developed a preferred channel model to record the channels that best fit BCC and customer needs for each transaction class (for example, simple and/or complex information requests, service requests, payments and feedback). Online services were identified as either the first or second choice of channel for all transaction classes.

While issues with maturing technology prevent it from delivering more services online, BCC has been able to move 19 of its top 25 call centre services online.

By developing a strategy to manage all its service delivery channels, BCC has managed its mix of channels to achieve higher volume of online traffic, with less reliance on the more costly phone and counter channels.

In 2011–12, BCC dealt with 70 per cent of all customer contacts (including information, enquiries and payments) through the online channel. Data for the past six financial years shows that there is an increasing trend for use of BCC's online channels and decreasing use of phone and counter channels (Figure 2C).

Figure 2C
Percentage channel usage 2006–07 to 2011–12



Source: QAO from BCC channel usage data for 2006−07 to 2011−12

Measuring channel strategy success

A comprehensive channel strategy includes performance indicators to measure the performance of different service delivery channels and customer satisfaction. These performance indicators measure the entity's success in implementing its channel strategy to improve access to services and move customers to lower-cost channels.

State Government departments that use multiple channels to deliver services do not have appropriate measures to assess performance of their online channel. Their reporting of channel volumes does not include comparison across several channels to assess the channel mix. The Department of Transport and Main Roads (DTMR) has developed reports that identify channel usage but has not used this information to develop strategies to influence customer channel preferences.

A framework has not been developed that outlines how to measure the success of online service delivery. At a central level, there is insufficient data on channel volumes for departmental services to form a holistic view of how effectively channels are managed. In addition, SSQ does not have appropriate measures to assess their performance in increasing the use of the online channel by its customers in comparison with other channels.

SSQ reports the number of interactions over each of its three main service delivery channels. This data is used for annual reporting and assessment of SSQ's performance. The results for 2011–12 showed there were more than 14 million interactions online, 3.5 million over telephone and 400 000 over counters. The online interactions include visits to, and searches on, the Queensland Government website accounting for 97 per cent of the 14 million online interactions reported.

While these are valid interactions and this reporting shows that there is significantly more activity over the online channel, there is no indication of how successful SSQ has been in moving customers online to conduct a service interaction. The data is not categorised further to enable analysis of how effective SSQ is in delivering different types of online interactions.

Measuring customer satisfaction

Accurate and frequent measurements of customer satisfaction allow departments to improve their services.

The audited departments and the council used customer surveys at least annually. However, customers surveyed may have conducted transactions months earlier. In addition, the departmental surveys, except for DTESB, included a limited number of questions about online services. Therefore, the data for customer satisfaction was not timely or sufficiently detailed to assess performance in satisfying customer needs. As a result, there is insufficient information to make timely, evidence-based improvements to services in response to customer needs.

DTESB measured customer satisfaction effectively. It uses a variety of methods to understand and improve the level of customer satisfaction with online services, and offers a useful exemplar to other entities. Its methods are outlined in Figure 2D.

Figure 2D
DTESB Customer satisfaction case study

Methods used by DTESB to measure the level of customer satisfaction
DTESB uses surveys, website analytics and benchmarking to understand the level of customer satisfaction with the online channel and improve the customer experience. In particular, DTESB: • provides opportunities for customers to give feedback at the time of website interaction via a random survey and permanent feedback form • performs quarterly phone surveys on a sample of users who have provided feedback • conducts annual research into customer satisfaction with the website • uses a web analytical tool to better understand customer interaction with the website. This tool has been used to identify user difficulties in accessing website content and take corrective action. For example, DTESB analysed the mouse movements for customer transactions originating from China to optimise the location of foreign language tools. • benchmarks the website interface and content against 28 jurisdiction websites, across 22 criteria. While the criteria used to measure each website was subjective, it still provides a useful measure to compare the quality of the websites.

2.3.2 Online service delivery to the public

SSQ and DTMR have a significant portfolio of services for the general public and deliver services to business to a lesser extent. These entities have a customer base with diverse preferences for methods of interaction and offer a variety of service channels, including for those who prefer not to, or cannot, use the internet.

However, optimising the mix of channels would result in higher volumes being moved to lower-cost channels. Neither department actively influences customer behaviour towards lower-cost channels. As a result, the full potential of new and emerging technology for service delivery is not being realised.

Smart Service Queensland

SSQ delivers 263 services on behalf of other departments over the phone, counter and online channels. SSQ 'owns' the service delivery channels and departments purchase the use of these channels to deliver their services.

Despite setting the target of 50 per cent of all government services to be delivered online by 2012, strategies, including mandating the use of SSQ, have not resulted in an expanded use of SSQ's online channel. Reasons for the low uptake include:

- SSQ is unable to drive efficiencies through migration to the online channel without the buy-in of departments. Departments can decide which channel they will purchase for the service.
- There is no cross-channel marketing for the online channel when a customer interacts with SSQ.
- The operating and funding model of SSQ makes it more attractive to smaller entities that do not have the appropriate systems and infrastructure to deliver their own multi-channel services. However, the combination of services from smaller entities will not provide SSQ with the necessary volume of transactions for economies of scale.
- Departments perceive SSQ's fee for online service delivery as higher than that of other providers.

Department of Transport and Main Roads

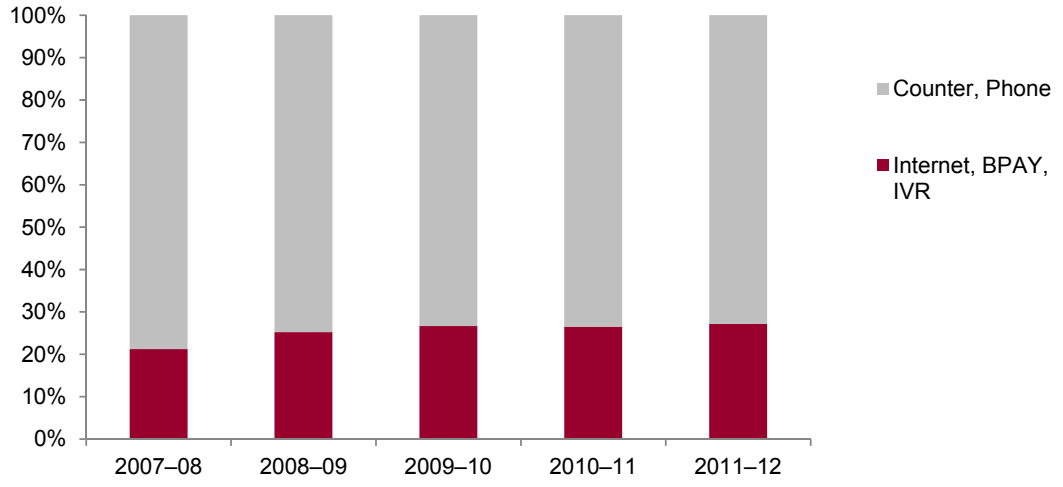
DTMR maintains service delivery channels to serve all members of the community, including those who cannot, or prefer not to, transact online. Less than 30 per cent of transactions with DTMR are conducted through self-service channels, including online, BPAY and Integrated Voice Recognition (IVR).

DTMR provides low-risk and/or high-volume transactional services through its online channel. The increase in self-service options has been slow — 6 per cent in the past five years.

DTMR has not set targets for a level of uptake for online service and has not considered implementing and monitoring strategies for reducing the number of customers over the counter. DTMR's approach is to allow people's natural preferences to draw them towards online services. Without a channel strategy, it is difficult to actively transition customers to the more cost-effective online channel.

Figure 2E shows the slow rate of increase in the use of self-service channels from 2007-08 to 2011-12. This graph includes all DTMR transactional services, including those that are as yet unavailable online and those that are not appropriate for the online channel.

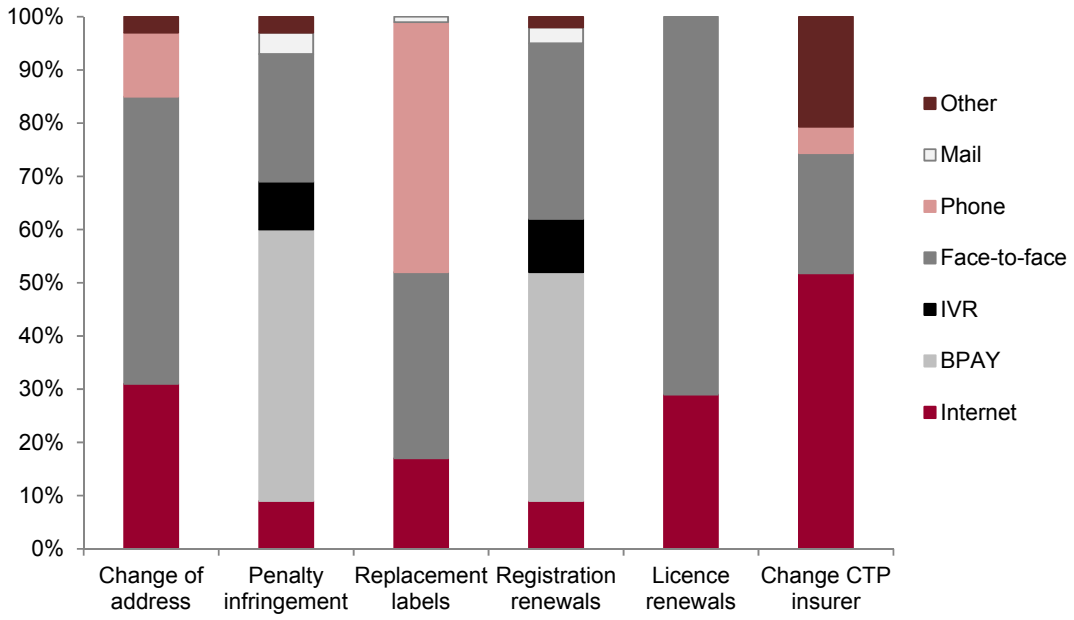
Figure 2E
Transactions processed through service channels



Source: QAO from DTMR assisted and non-assisted transaction data for 2007–08 to 2011–12

There is low uptake of even simple services where there is no need to go to the counter. Figure 2F shows the percentage of transactions via various channels for DTMR's low-complexity, high-volume services in 2010–11. A significant proportion of these types of transactions are still processed through counter services.

Figure 2F
Channel usage for DTMR low-complex, high-volume transactional services



Source: QAO from data contained in the Transport Service Division Annual Summary for 2010–11

While the rate of usage of DTMR's online services has not increased significantly, its use of the online channel means the number of customer service centres has not increased in proportion to Queensland's growing population. Demand for DTMR services grew by almost 20 per cent from 2007-08 to 2011-12, and the use of online services has enabled this demand to be serviced without expanding its customer service centres.

2.3.3 Online service delivery to business

DTESB and the Office of State Revenue (OSR) predominantly deliver services to the business community. They have stronger alignment between their services, customer preferences and channels, and determined that it was most effective to deliver services to their customers online. It was easier for them to adopt this approach, as their customer base does not demand a diverse range of channels. The high levels of online services to business by DTESB and OSR show that business and industry as a customer segment have a strong demand for services over the online channel.

As a result of achieving high transactional volumes online, both DTESB and OSR were able to close their counter services, saving about $1.1 million between them. While eliminating counters is not suitable for all types of services, influencing customers towards lower-cost channels is a potential source of financial savings for the state.

The Department of Tourism, Major Events, Small Business and the Commonwealth Games

DTESB is the owner of the business and industry website which is the government's main portal for industry specific services and provides government advice and transactions required to run a small business. It also delivers these services over the phone and, previously, over the counter.

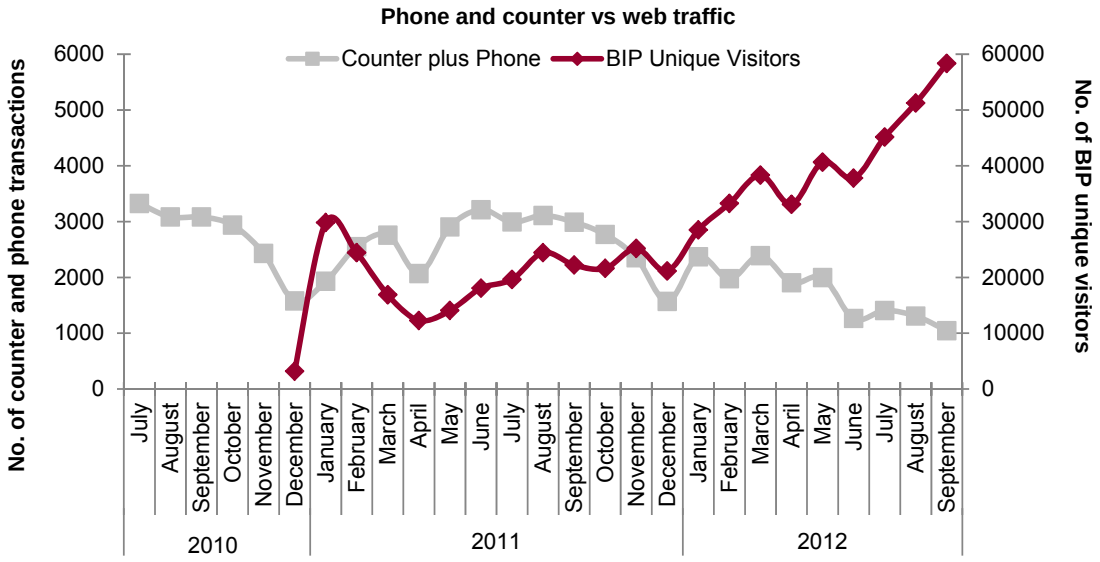
DTESB developed an online services strategy in 2011 to develop the business and industry website, which incorporated about 700 content topics (from 27 former websites). However, the strategy did not include all business and industry-related services across government.

To develop this strategy, DTESB researched world trends in government online services, noting that customers preferred to view information without needing to understand the structure of government. DTESB used statistics on the most accessed topics from the call centre, counter and websites to prioritise online services. In addition, DTESB set performance targets for the website to enable benchmarking against national and international organisations.

To date, DTESB has been successful in increasing the level of online service activities among the target business audience. DTESB has increased the content services available through this channel, with about 98 per cent of all DTESB customer services delivered through www.business.qld.gov.au in September 2012, compared with 67 per cent in December 2010.

DTESB regularly analyses channel usage data to inform channel management decisions. Analysis showing a reduction in the number of phone and counter enquiries (Figure 2G) informed management's decision to close counter services on 14 September 2012.

Figure 2G
DTESB channel usage – July 2010 to September 2012



Source: Department of Tourism, Major Events, Small Business and the Commonwealth Games

As DTESB reaches its target of transitioning 500 services to the website (423 transitioned as at July 2012), a project is being defined to research customer needs and 'stocktake' all business and industry-related web services provided by government. This will be used to determine where services need to be developed and/or consolidated into the business and industry website.

Office of State Revenue

OSR delivers the majority of its services online which reflects the transactional nature of its services. However, OSR does not have a documented channel strategy.

Targeting customer segments has resulted in a high volume of users submitting lodgments online, enabling OSR to close its counter service. All lodgments and payments can now only be done either online or by post. OSR collects 80 per cent of its revenue through the online channel. Electronic lodgments for OSR's three main revenue lines in 2011–12 (payroll tax, duties and land tax) were at almost 95 per cent.

2.4 Recommendations

1. **It is recommended that the Department of Science, Information Technology, Innovation and the Arts ensures the central channel strategy includes:**
   - **aligning current service delivery options with customer needs, service characteristics and central priorities with consideration given to developing separate strategies for public and business online services to meet the specific needs of these customer segments**
   - **increasing the number of services available online and moving customers to the preferred channels for each service**
   - **a benefits realisation plan and migration plan for each department to ensure that the expected benefits of implementing the central channel strategy are realised**
   - **performance indicators to measure the success of the online channel for satisfying customer needs.**
2. **It is recommended that each department develops and implements a channel strategy consistent with the central strategy**

3 Technology capability and security of online services

In brief

Background

To enable growth of the online channel, technology solutions must support a range of services, including those that require customers to be identified. In addition, customers expect that information they submit to departments online is protected. Departments must actively manage security risks so customers can continue to have confidence in transacting online. In addition, there are specific requirements of the Payment Card Industry (PCI) Data Security Standard (DSS) for protecting cardholder data.

Conclusions

Outdated technology infrastructure in the public sector is hindering the expansion of the online channel. The effectiveness of security controls to protect online services varied considerably across the audited departments and council. Those that satisfied PCI-DSS requirements had better overall security practices. There were good measures in place to reduce risks for credit card data. However, departments took a passive approach to security of personal information.

Key findings

- With the exception of the Department of Tourism, Major Events, Small Business and the Commonwealth Games and the Office of the State Revenue, the capability to validate customer identity has not been implemented to enable complex services to be moved online.
- Upgrades to systems and technologies supporting online services are needed for a stronger online focus.
- Departments rely on tacit knowledge to maintain appropriate security controls. An end-to-end security design for online services was not documented.
- Credit card information was secured through a third party service, or in the case of one department, by satisfying requirements of the PCI-DSS.
- Security of non-financial personal information was not robust in two of the four departments audited.

Recommendations

3. **It is recommended that all departments document the security design and use this to identify and mitigate security risks of online services.**
4. **It is recommended that all departments and the Brisbane City Council identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.**

3.1 Background

New security risks come with the increased convenience of online services. If these risks are managed effectively, customers can be confident that personal information they submit online is secure. Some services can be provided online only if there are appropriate security mechanisms to verify the customer's identity. To do this, entities need to implement specific technologies.

The Queensland Government Chief Information Office develops standards and guidelines for departments to manage their information technology security risks. These standards and guidelines have existed for several years, and are regularly updated.

There are additional requirements when credit card information is collected through online services. The Payment Card Industry (PCI) Data Security Standard (DSS) is the industry standard for protecting cardholder data.

In this chapter we assess the technological capability of the departments and the council to deliver online services, how they identify and manage security risks, and whether they secure their services as per PCI-DSS and Queensland Government standards.

3.2 Conclusions

Current technology used by departments and the council does not have the necessary capability for online services of higher complexity, nor those that demand tighter security. The current state of technology is hindering progress to deliver more services online.

The effectiveness of controls to protect online services varies. The departments we audited do not fully comply with standards to ensure they understand and plan for the security of their online services. They rely instead on the tacit knowledge of their staff to ensure that appropriate security controls are designed and are effective.

While no major security incidents impacting public sector online services have been reported, the departments we audited are not well prepared for internet security attacks that are becoming more sophisticated and targeted.

Risks concerning credit card information have been carefully considered. The departments and council within this audit that collected credit card data had PCI-DSS compliance certificates for their online services. However, the non-financial personal information collected through online services by two of the departments was not appropriately secured.

3.3 Findings

3.3.1 Technology capability to deliver online services

With the exception of the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB), departments audited and Brisbane City Council (BCC) do not have the required technologies for more online services to meet the growing demand and to reduce the costs of service delivery.

DTESB has implemented a capability to authenticate users. This means users of the Business and Industry portal are able to access personalised content using an Australian Business Account. However, a security capability for services to the public does not exist to enable complex services to be delivered online, limiting the number that can be brought online. Using the existing technology, entities servicing the general public have moved only those services online that do not require the user's identity to be confirmed.

Currency of technology used by entities for online services

Systems and technologies need to be upgraded for a stronger focus on online service delivery. While BCC was the only entity that had a channel strategy, it did not implement a key action in the strategy to optimise the mix of channels and expand use of the online channel. This is because BCC's maturing technology infrastructure restricted further migration of services to the online channel.

Similarly, the Office of State Revenue (OSR) delivers its services online using technology that limits how customers access the services. These services can be accessed only through desktop computers installed with specific software. The Department of Transport and Main Road's (DTMR) website used to deliver its online services is dated and inconsistent with both their corporate website and the whole-of-government website, preventing a seamless delivery of services across government websites.

3.3.2 Identifying and managing security risks

To maintain a robust security environment for online services, entities should have a security plan, as described in Principle 1 of the Queensland Government Information Standard 18. A security plan identifies:

- current threats and vulnerabilities and an assessment of the current security environment and treatments in place
- security strategies and recommended controls that need to be implemented to achieve a desired level of security
- residual risks that remain after security strategies have been implemented
- a schedule with timeframes and milestones for implementing risk treatments and actions.

None of the audited departments have a documented security plan for its online services. They do not document the end-to-end security design for their environments to enable effective risk identification. Where IT risks are documented, they do not specifically relate to the systems supporting online services.

As a result, departments rely on the tacit knowledge of their staff to maintain appropriate security controls. Recent changes to staffing in IT sections in the public sector could put at risk the operating effectiveness of security controls.

Complying with PCI-DSS requirements for securing cardholder data

Entities must protect the information that users submit online so that customers are willing to transact over this channel. PCI-DSS outlines the controls that must be implemented to protect cardholder data.

All the audited departments and BCC have fulfilled their PCI-DSS responsibilities for online services. Two of the audited departments and BCC did this by using a third party to deliver the payment service, and obtaining assurance from the provider that they complied with the PCI-DSS. Figure 3A shows the status of compliance with PCI-DSS of audited entities.

Figure 3A
Entity PCI-DSS compliance status

Entity	Method of payment service delivery	Compliance status
Department of Transport and Main Roads	Internal systems	Compliance certificate provided by external assessor
Department of Science, Information Technology, Innovation and the Arts	Third party service	Assurance of compliance received from third party
Queensland Treasury and Trade	Third party service	Assurance of compliance received from third party
Department of Tourism, Major Events, Small Business and the Commonwealth Games	No payment services currently offered	N/A
Brisbane City Council	Third party service	Assurance of compliance received from third party

Securing personal information collected through online services

In addition to credit card information, some online services also require customers to provide additional personal information, such as address, phone, email address, date of birth or vehicle registration details. Other online services require only personal information but no payment.

Where a payment is required, the entity stores the personal information associated with the transaction on its internal systems.

There are considerable variations in how entities implement security controls to protect customer data. DTMR and BCC have implemented strong security controls to protect customer data. Both complete activities to ensure compliance with PCI-DSS and, as a by-product, this has enhanced their overall security practices.

However, OSR and Smart Service Queensland have weaknesses in their IT environments that expose their systems to security threats.

SSQ is responsible for the security of the Queensland Government website www.qld.gov.au. However, a security design and plan for this environment are not documented. In addition, the department does not conduct penetration testing (simulating an attack from malicious outsiders) of the website to identify security risks and vulnerabilities and to develop plans to treat any identified risks. This makes it difficult to ensure that a comprehensive risk and vulnerabilities assessment has been undertaken.

OSR performed a penetration test of its environment in July 2012. This exercise identified a large number of security risks that need to be addressed. OSR has developed a plan to address these risks.

3.4 Recommendations

3. **It is recommended that all departments document the security design and use this to identify and mitigate security risks of online services.**
4. **It is recommended that all departments and the Brisbane City Council identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.**

4 Cost-effectiveness of online services

In brief

Background

Citizens, businesses and government expect to conduct their business interactions using a cost-effective method.

To determine this, entities require reliable cost data for each service, if they are to make informed decisions about channel strategies and measure customer benefits.

Conclusions

The Department of Transport and Main Roads is the only entity we audited that can reliably calculate service costs per channel. Other departments we audited and Brisbane City Council do not know how much each service costs per channel, and generally are unable to determine whether using different channels resulted in cost reductions or increased efficiency and productivity.

As a result, they are unable to use this information to make strategic decisions about the most efficient channel mix.

Key findings

- The Department of Transport and Main Roads records and analyses the cost of each service across each channel. None of the audited departments or council use cost data to inform channel strategies.
- The Department of Tourism, Major Events, Small Business and the Commonwealth Games estimated time and cost savings for business customers. No other audited departments or council measured customer benefits in this way.
- Smart Service Queensland's fee for service for all channels (phone, counter and online) for 2011–12 was less than 50 per cent of its operating costs for the same period. There was no record of departmental savings when services were transferred to Smart Service Queensland.

Recommendations

5 It is recommended that all departments and the Brisbane City Council collect and use data on cost and demand to optimise the mix of channels used for services.

6. It is recommended that the Department of Science, Information Technology, Innovation and the Arts reviews Smart Service Queensland's business model and costs to ensure the benefits of using a service provider for departments are realised.

4.1 Background

Counter services cost more to deliver as they require accommodation, security, staff and equipment to process transactions. In addition, customers spend time travelling to the service centres, with potential waiting time before being served.

Online services connect directly to business systems over the internet, using an internet-facing application and can be delivered to the customers' computer systems or mobile devices.

We examined whether the audited departments or council:

- know how much each service costs and use cost information to make strategic decisions about their service delivery channel mix
- have systems and processes for measuring customers' financial benefits from using public sector online services.

In addition, we examined whether Smart Service Queensland (SSQ) analysed costs and benefits of each of the services it provides to departments.

4.2 Conclusions

A lack of rigorous costing methods means that departments and the council audited do not know the cost of delivering each service per channel. Therefore, they cannot fully evaluate the net financial benefits of delivering services through specific channels, nor use cost data to better inform decisions about channel strategies. Such information can enable incentives for customers to use lower-cost channels by passing on the savings.

There is limited information about customers' financial benefits from transacting with departments online. Measuring customers' financial benefits would enable adjustments to service methods to deliver more value for money and even consider passing savings on to customers.

In Smart Service Queensland (SSQ) business model, approved by government in 2008, variable expenses are covered through fees for service, with fixed expenses funded through appropriation. As SSQ's fee revenue has continued to be less than 50 per cent of their total operating costs, it is time to consider whether this business model is still appropriate.

4.3 Findings

4.3.1 Monitoring the cost of service delivery

The Department of Transport and Main Roads (DTMR) has established systems and processes to capture costs for each service delivery channel. Annual analyses and reporting of this information enable DTMR to compare costs of each service through specific channels.

Except for DTMR, none of the other three audited departments or council have systems and processes to record and compare the cost of each service across each channel. Therefore, they cannot perform detailed analysis of the costs of delivering services, and lack the necessary information for strategic decisions about which channels to use and how to improve performance in the cost of each channel.

Both the Department of Tourism, Major Events, Small Business and the Commonwealth Games (DTESB) and the Office of State Revenue (OSR) have achieved estimated savings of $500 000 and $639 000 per annum, respectively, by reducing counter capacity in response to falling customer demand for this channel. However, neither department records the full cost of delivering each service and are therefore unable to determine if the most cost-effective means are used to deliver those services.

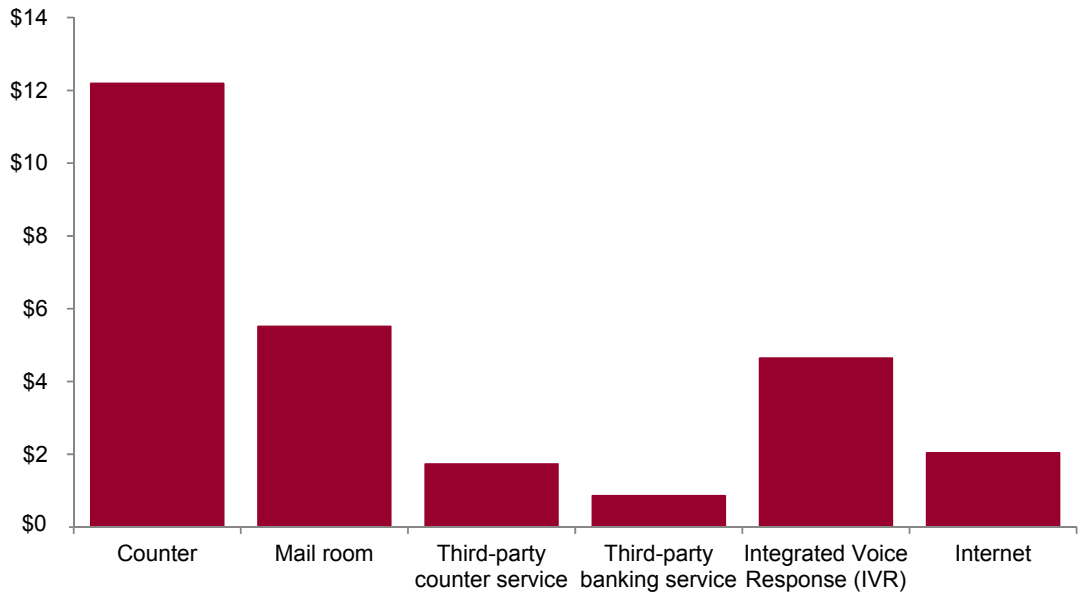
While DTMR has established systems and processes to record and monitor costs, it does not use the data to inform decisions about channel strategies, including moving customers to lower-cost channels where appropriate. The next section shows how this type of data can assist in analysing costs.

Example showing possible analysis

The data collated by DTMR shows that the counter service cost for one service per transaction is $12.58, compared with $1.73 through a third party counter service, $0.83 through a third party banking service, and $2.04 through the internet.

Figure 4A shows the comparative cost of one transaction through six different channels.

Figure 4A
Costs per transaction per channel 2010–11



Source: QAO from DTMR cost model data for 2010–11

Figure 4B shows that in 2010–11, almost $8 million (53 per cent) of service delivery costs for the same service was spent to support counter service, for only 13 per cent of transactions.

Figure 4B
Percentage of costs vs. percentage of transactions for each channel 2010–11

Service delivery channel	Number of transactions	% of total transactions	Cost of channel	% of total service delivery costs
Counter	690 852	13%	$7 974 840	53%
Mail room	178 159	3%	$730 056	5%
Third-party counter service	1 094 986	21%	$1 898 061	13%
Third-party banking service	2 280 592	43%	$1 965 768	13%
Integrated Voice Response (IVR)	575 132	11%	$1 302 936	9%
Internet	471 673	9%	$960 775	6%
Total	**5 291 394**	**100%**	**$14 832 436**	**98%**

Source: QAO from DTMR cost and channel usage data for 2010–11

In 2011–12, 650 000 transactions were conducted over the counter. The counter channel was the third highest in volume from eight channels. Providing non-complex services over the counter in these high volumes means that DTMR's costs are higher than necessary and it misses opportunities to reduce waiting times for more complex services that require face-to-face interaction.

4.3.2 Measuring benefits for customers

DTESB assessed its website's effectiveness in providing time and cost savings to business customers. The annual survey of 1058 businesses showed an estimated saving for all customers during 2011–12 to be $155 million. This analysis highlights the value proposition of the business and industry website.

No other audited departments or the council had systems and processes to measure customers' financial savings or benefits from using government online services.

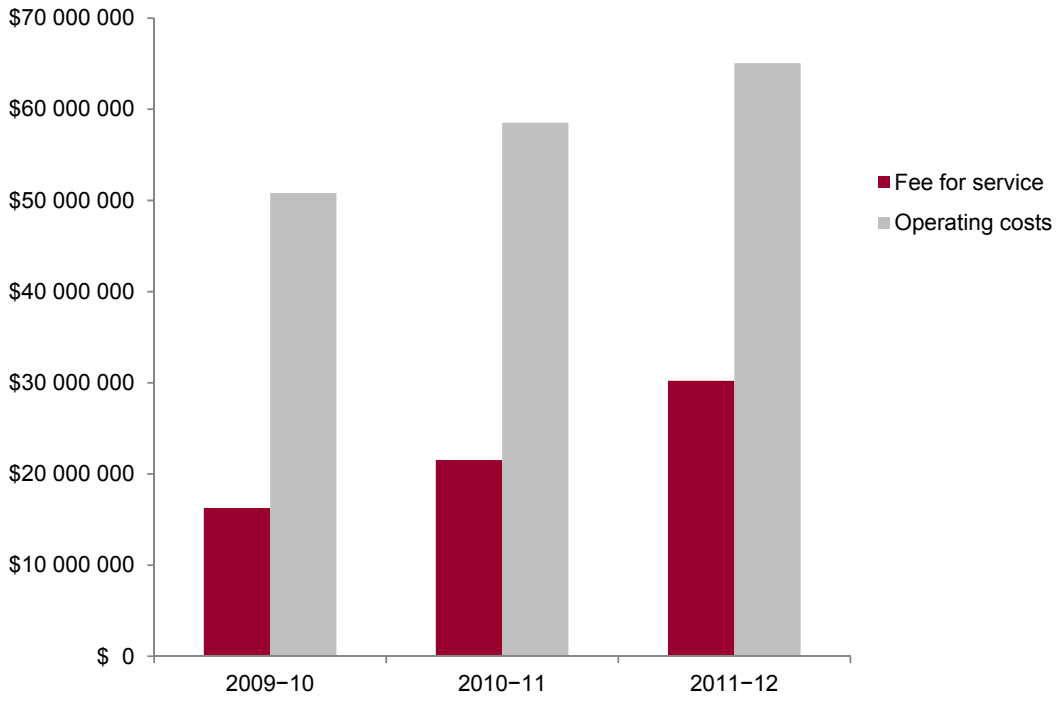
4.3.3 Fee for services for departments

While SSQ's fee revenue increased over the past three years, it was still less than 50 per cent of the total operating costs incurred in delivering the services. A five-year fee-for-service arrangement was approved in 2008 to cover agreed variable service delivery costs only. Under the funding model, all fixed costs for SSQ are met by appropriation. While SSQ has met its fiscal requirements, the Department of Science, Information Technology, Innovation and the Arts should assess if this business model remains appropriate in light of the fact that the number of transactions and services originally intended for the online channel, has not been met.

For example, SSQ spent $2.6 million to build an online service capability, including development, support and maintenance of the online payment service (OPS) over a five-year period. In 2011–12, only 31 per cent of the target numbers of transactions were processed through the new online payment system. The significant shortfall is due to an insufficient number of departmental services using OPS. As part of the 2009–10 analysis, it was assumed that 31 services would be using OPS by June 2012, but only 19 services were moved by August 2012. An additional 8 services were being tested in August 2012.

Some departments perceive fees to be high and do not see the value in using SSQ's online system and have opted for alternative solutions using third party vendors. An analysis of SSQ costs versus fee revenue over the past three years is shown in Figure 4C.

Figure 4C
SSQ operating costs and fee-for-service revenue



Source: QAO from SSQ Income Statement and Input Pack for 2009–10 to 2011–12

4.4 Recommendations

5. **It is recommended that all departments and the Brisbane City Council collect and use data on cost and demand to optimise the mix of channels used for services.**
6. **It is recommended that the Department of Science, Information Technology, Innovation and the Arts reviews Smart Service Queensland's business model and costs to ensure the benefits of using a service provider for departments are realised.**

Appendices

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Appendix A - Comments

Auditor-General Act 2009 (Section 64) – Comments received

Introduction

In accordance with section 64 of the *Auditor-General Act 2009* a copy of this report was provided to Brisbane City Council and the following departments with a request for comment.

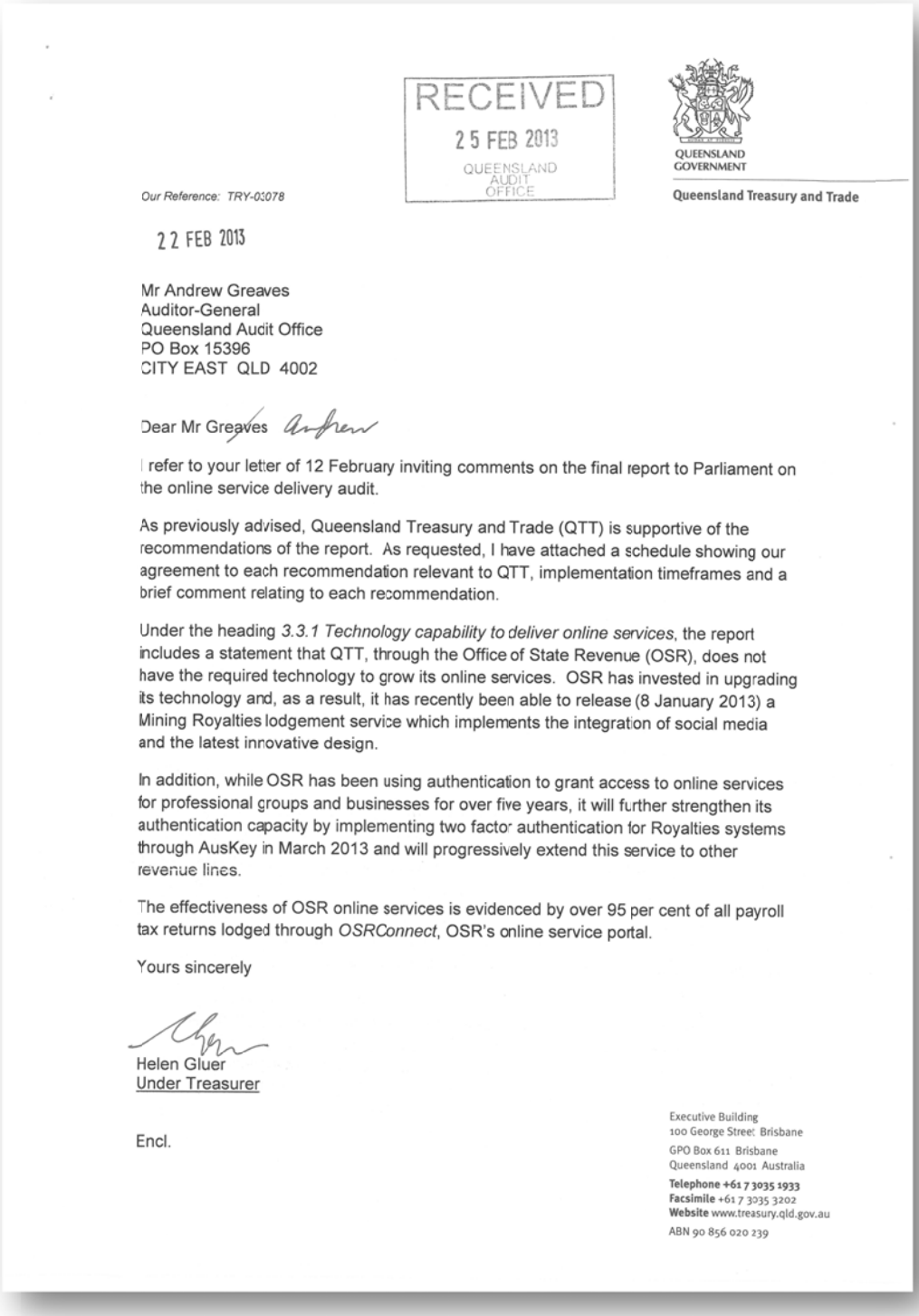
- Department of Science, Information Technology, Innovation and the Arts
- Department of Transport and Main Roads
- Department of Tourism, Major Events, Small Business and the Commonwealth Games
- Queensland Treasury and Trade.

Responsibility for the accuracy, fairness and balance of the comments rests with the head of these agencies.

A copy of this report was also provided to the Premier and appropriate Ministers.

Comments received

Response provided by the Under Treasurer, Queensland Treasury and Trade on 25 February 2013.



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25 FEB 2013
QUEENSLAND AUDIT OFFICE

QUEENSLAND GOVERNMENT
Queensland Treasury and Trade

Our Reference: TRY-03078

22 FEB 2013

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves Andrew

I refer to your letter of 12 February inviting comments on the final report to Parliament on the online service delivery audit.

As previously advised, Queensland Treasury and Trade (QTT) is supportive of the recommendations of the report. As requested, I have attached a schedule showing our agreement to each recommendation relevant to QTT, implementation timeframes and a brief comment relating to each recommendation.

Under the heading *3.3.1 Technology capability to deliver online services*, the report includes a statement that QTT, through the Office of State Revenue (OSR), does not have the required technology to grow its online services. OSR has invested in upgrading its technology and, as a result, it has recently been able to release (8 January 2013) a Mining Royalties lodgement service which implements the integration of social media and the latest innovative design.

In addition, while OSR has been using authentication to grant access to online services for professional groups and businesses for over five years, it will further strengthen its authentication capacity by implementing two factor authentication for Royalties systems through AusKey in March 2013 and will progressively extend this service to other revenue lines.

The effectiveness of OSR online services is evidenced by over 95 per cent of all payroll tax returns lodged through *OSRConnect*, OSR's online service portal.

Yours sincerely

Helen Gluer
Under Treasurer

Encl.

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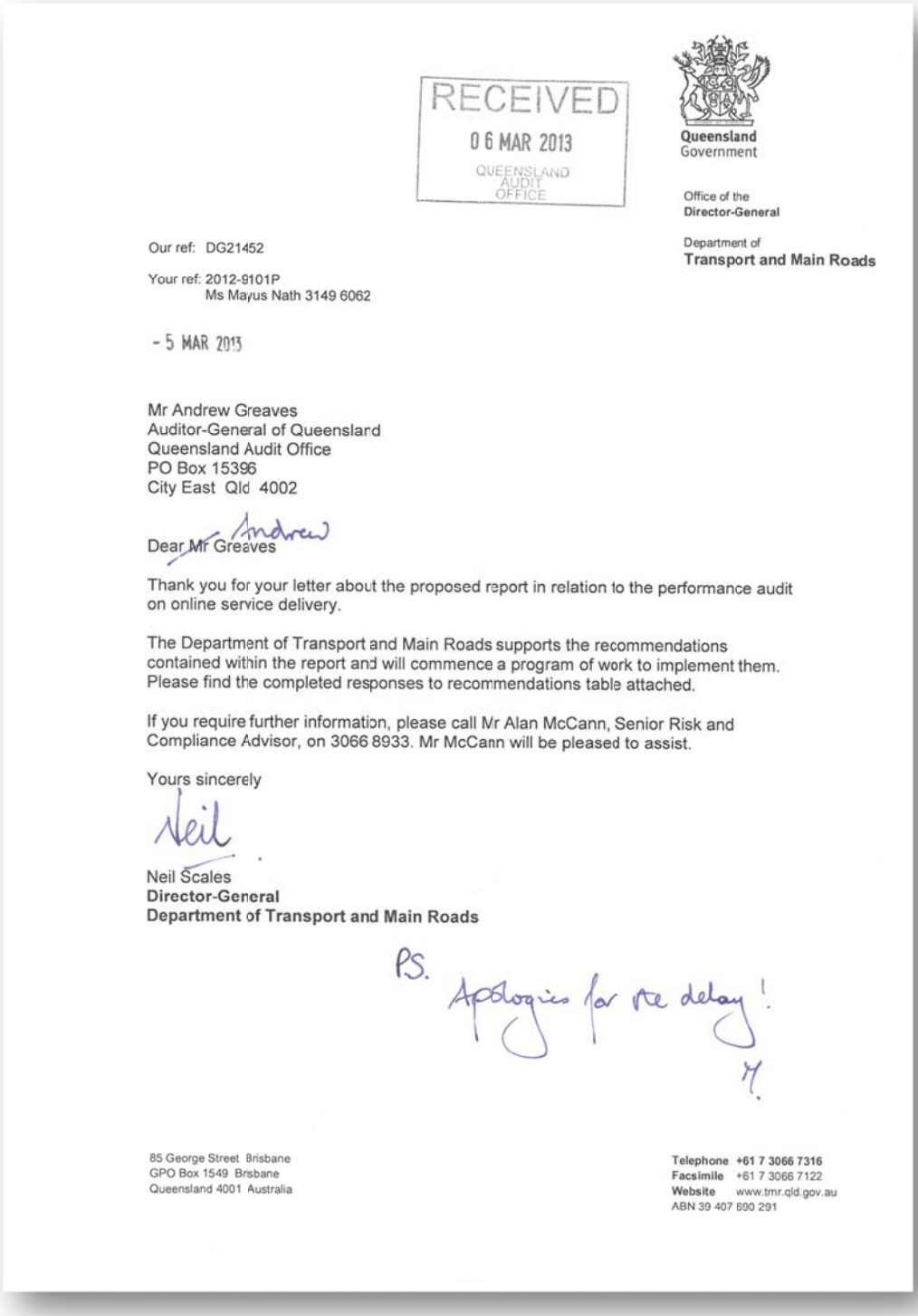
Responses to recommendations

Response to recommendations provided by Queensland Treasury and Trade.

Recommendation	Agree/ Disagree	Timeframe for implementation	Additional comments
2. It is recommended that each department develops and implements a channel strategy consistent with a central strategy	Agree	30 June 2013	OSR is currently updating its approach to channel management. This will cover service channels, channel costs and matching channels to demographics. The approach adopted is similar to that used by the ATO. A draft plan is currently being considered.
3. It is recommended that all departments document security design and use this to identify and mitigate security risks to online services	Agree	31 December 2013	OSR online services applications and documentation are currently being updated. Regular penetration testing will form the basis of assessing and documenting security designs to mitigate external risks.
4. It is recommended that all departments and the Brisbane City Council: Identify cost effective technology solutions to expand their online channel and use authentication services for complex online services.	Agree	Ongoing	OSR actively seeks better ways to deliver online services and is committed to offering cost effective solutions that meet the needs of the community. OSR uses authentication for complex transactions for Duties assessments and lodgement of payroll tax returns. OSR will implement a two factor authentication (AusKey) for Mining Royalties in the near future before extending this approach to other revenue lines.
5. Collect and use date on cost and demand to optimise the mix of channels used for services.	Agree	Ongoing	To enhance its communication with stakeholder groups the office is in the process of engaging independent assistance in designing a stakeholder strategy to provide enhanced qualitative and quantitative feedback on OSR performance.

Comments received

Response provided by the Director-General, Department of Transport and Main Roads on 06 March 2013.



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06 MAR 2013
QUEENSLAND AUDIT OFFICE

Queensland Government

Office of the **Director-General**

Department of **Transport and Main Roads**

Our ref: DG21452

Your ref: 2012-9101P
Ms Maŋus Nath 3149 6062

- 5 MAR 2013

Mr Andrew Greaves
Auditor-General of Queensland
Queensland Audit Office
PO Box 15396
City East Qld 4002

Dear ~~Mr~~ Andrew Greaves

Thank you for your letter about the proposed report in relation to the performance audit on online service delivery.

The Department of Transport and Main Roads supports the recommendations contained within the report and will commence a program of work to implement them. Please find the completed responses to recommendations table attached.

If you require further information, please call Mr Alan McCann, Senior Risk and Compliance Advisor, on 3066 8933. Mr McCann will be pleased to assist.

Yours sincerely

Neil

Neil Scales
Director-General
Department of Transport and Main Roads

P.S. Apologies for the delay!
N.

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Responses to recommendations

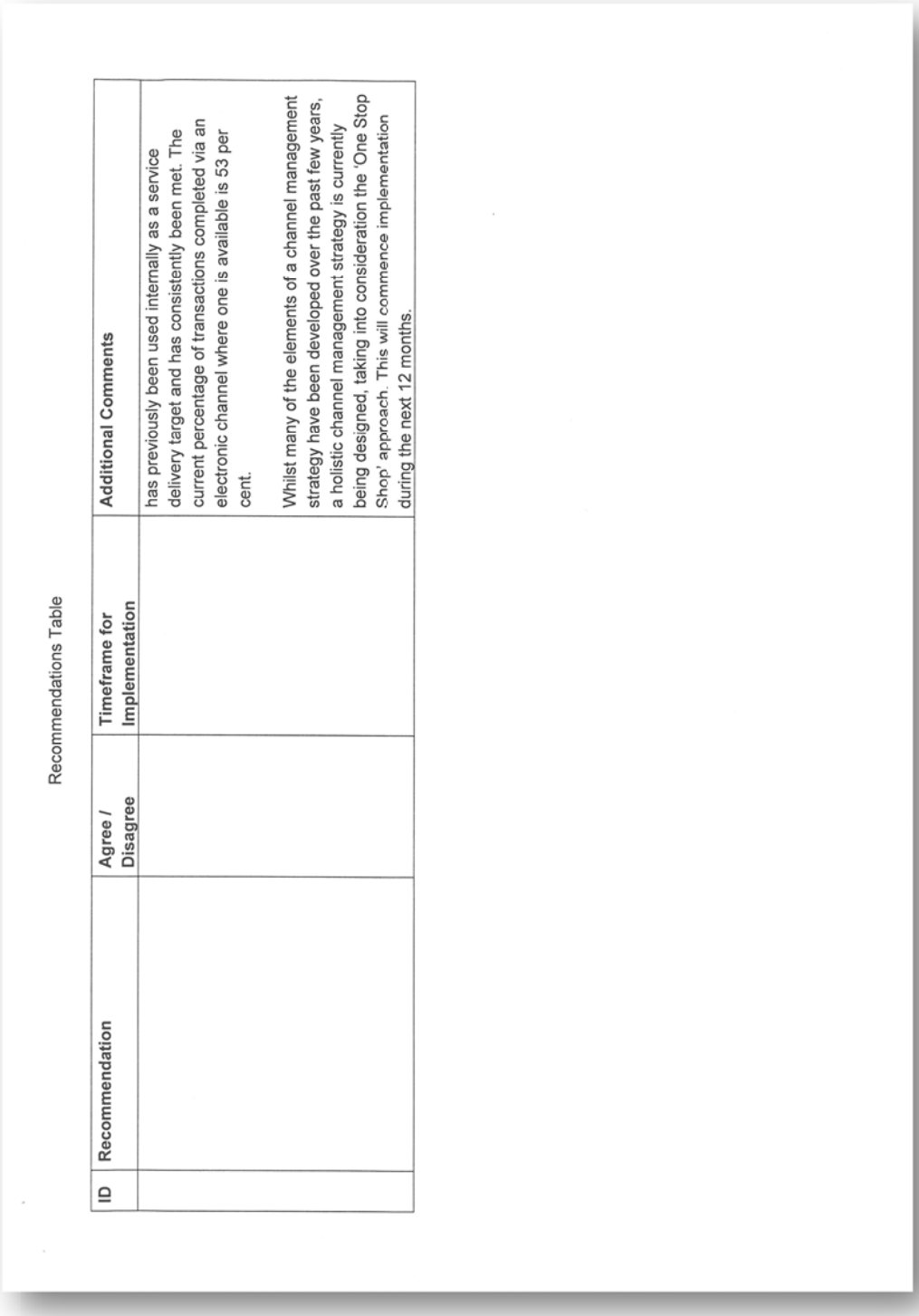
Response to recommendations provided by the Department of Transport and Main Roads.

Recommendations Table

ID	Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
2	It is recommended that each department develops and implements its own channel strategy, consistent with the central strategy, that includes: - aligning current service delivery options with customers needs, service characteristics and agency priorities - performance indicators to measure the success of the online channels including measures of access, timeliness, cost and satisfaction.	Agree	30 June 2014 Director (Service Delivery Systems & Program Office)	Management acknowledges that TMR does not currently have a channel strategy, however work has commenced on developing it. Management accepts the findings around recommendation two. Customer Services Branch has continually identified strategies for migrating customers to lower the cost of electronic service delivery channels, however competing business imperatives and financial constraints have previously limited the extent to which these strategies could be implemented. Previous requests to cease delivering certain transactions e.g. registration renewals at Customer Service Centres in order to migrate customers to other lower cost delivery channels have previously not been pursued due to customer accessibility concerns. TMR commissions Neilsen to undertake a Channel Management Research Monitor report every six months (ongoing since 2001). This report has been essential for TMR to understand the barriers to customer channel shift, and enables TMR to track the shift in customers' perceptions and behaviours with respect to online services over time. This is then used to inform future online product developments and channel migration tactics. A target of 55 per cent of transactions completed online (where an online/electronic service option is available)

Responses to recommendations

Response to recommendations provided by the Department of Transport and Main Roads.



Recommendations Table

ID	Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
				has previously been used internally as a service delivery target and has consistently been met. The current percentage of transactions completed via an electronic channel where one is available is 53 per cent. Whilst many of the elements of a channel management strategy have been developed over the past few years, a holistic channel management strategy is currently being designed, taking into consideration the 'One Stop Shop' approach. This will commence implementation during the next 12 months.

Responses to recommendations

Response to recommendations provided by the Department of Transport and Main Roads.

Recommendations Table

ID	Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
3	It is recommended that all departments and the Brisbane City Council: Document the security design and use this to identify and mitigate security risks of online services.	Agree	30 June 2014 Director (Strategy and Architecture)	Management accepts the findings around recommendation three, however it should be noted that TMR does have some documentation around the end-to-end security architecture TMR acknowledges improvements can be gained from adopting the recommendation TMR has end to end security architecture documentation that describes the security controls and counter measures in place to protect information in relation to the information architecture. These security artefacts are developed and maintained as part of the ongoing development life cycle for new solutions. As solutions move into production these artefacts are stored in the relevant technical information domains for future reference. The department's security architecture consists of the controls mandated by TMR's 'Information Technology Security Framework'. This framework covers physical, online and procedural security controls.

Responses to recommendations

Response to recommendations provided by the Department of Transport and Main Roads.

Recommendations Table

ID	Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
4	It is recommended that all departments and the Brisbane City Council: Identify cost-effective technology solutions to expand their online channel and implement authentication services for complex online services.	Agree	30 June 2014 Director (Service Delivery Systems & Program Office)	Management generally accepts recommendation four regarding the need to identify cost-effective technology solutions. While not yet implemented, TMR has a current initiative underway to develop a framework for delivering new online services that are consistent with the whole of government format. An Electronic Service Delivery Framework that outlines improved security authentication is part of this initiative.

Responses to recommendations

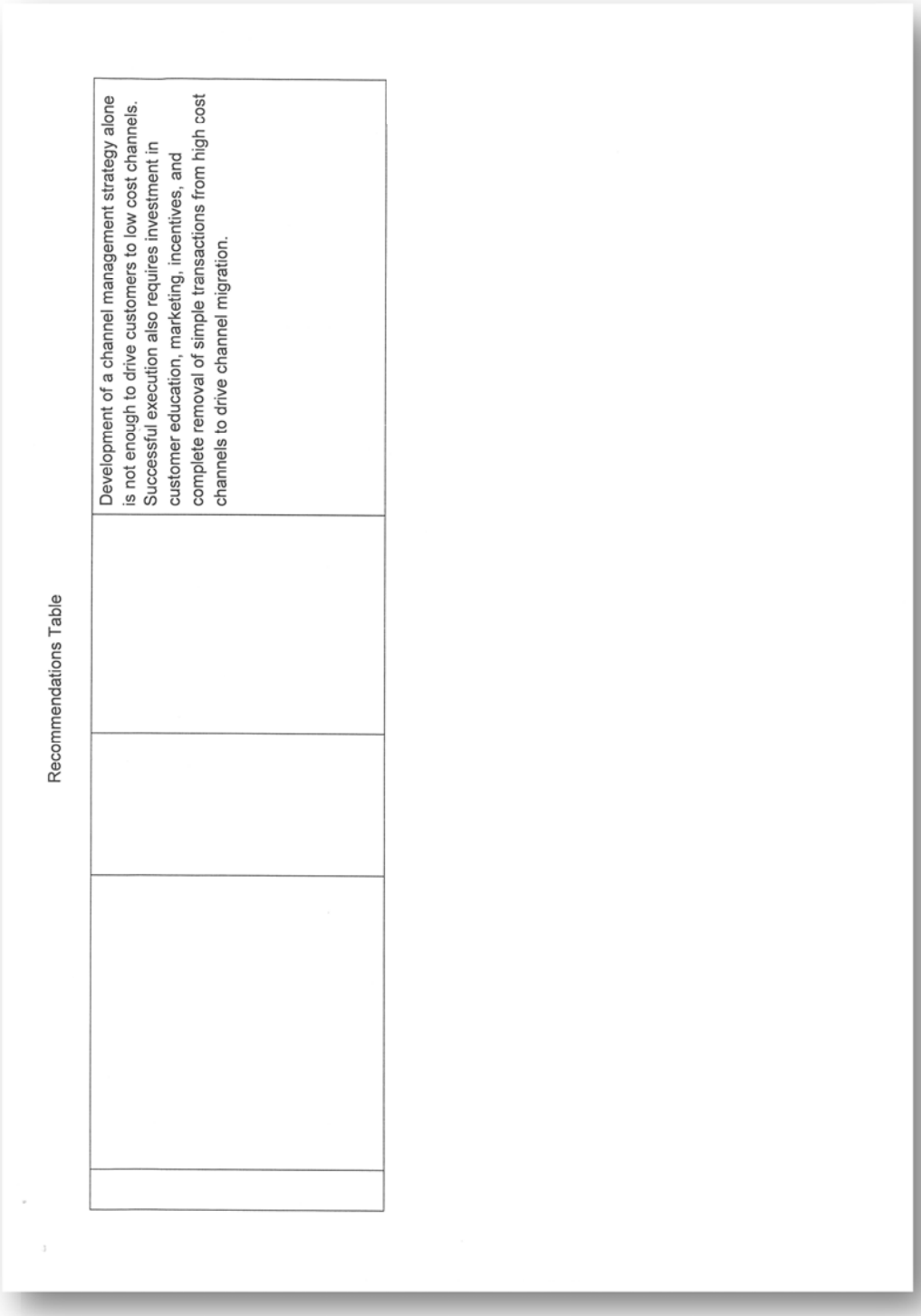
Response to recommendations provided by the Department of Transport and Main Roads.

Recommendations Table

ID	Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
5	It is recommended that all departments and the Brisbane City Council: Collect and use data on cost and demand to optimise the mix of channels used for services.	Agree	30 June 2014 Director (Service Delivery Systems & Program Office)	Management accepts recommendation five with clarification. As stated in the response to recommendation two, TMR is developing a channel management strategy for all products and services. However, it needs to be acknowledged that TMR has achieved considerable success to date in migrating customers to low cost channels. Only 10 per cent of registration renewals are now conducted in TMR Customer Service Centres, with a vast majority being conducted via low cost electronic channels. TMR commissions Neilsen to undertake a Channel Management Research Monitor report every six months (ongoing since 2001). This report has been essential for TMR to understand the barriers to customer channel shift, and enables TMR to track the shift in customers' perceptions and behaviours with respect to online services over time. This is then used to inform future online product developments and channel migration tactics. Due to the broad demographic spread of the customer base, there will always be some customers who will need to access the face to face channel. Similarly, many customers will conduct registration business whilst conducting another service for which personal presentment is required.

Responses to recommendations

Response to recommendations provided by the Department of Transport and Main Roads.



Recommendations Table

		Development of a channel management strategy alone is not enough to drive customers to low cost channels. Successful execution also requires investment in customer education, marketing, incentives, and complete removal of simple transactions from high cost channels to drive channel migration.

Comments received

Response provided by the Director-General, Department of Tourism, Major Events, Small Business and the Commonwealth Games on 28 February 2013.

Please quote: 02393/13
Contact officer: Gavin Atkinson
Contact phone: 3087 8339

RECEIVED
28 FEB 2013
QUEENSLAND AUDIT OFFICE

Queensland Government

Department of
Tourism, Major Events, Small Business and the Commonwealth Games

26 FEB 2013

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter of 12 February 2013 and the opportunity to comment on the proposed report into online service delivery performance.

Our agency supports all six of the proposed recommendations.

Thank you again for the opportunity to provide comment on the proposed report.

Yours sincerely

Dr Richard Eden
Director-General

Level 26, 111 George Street
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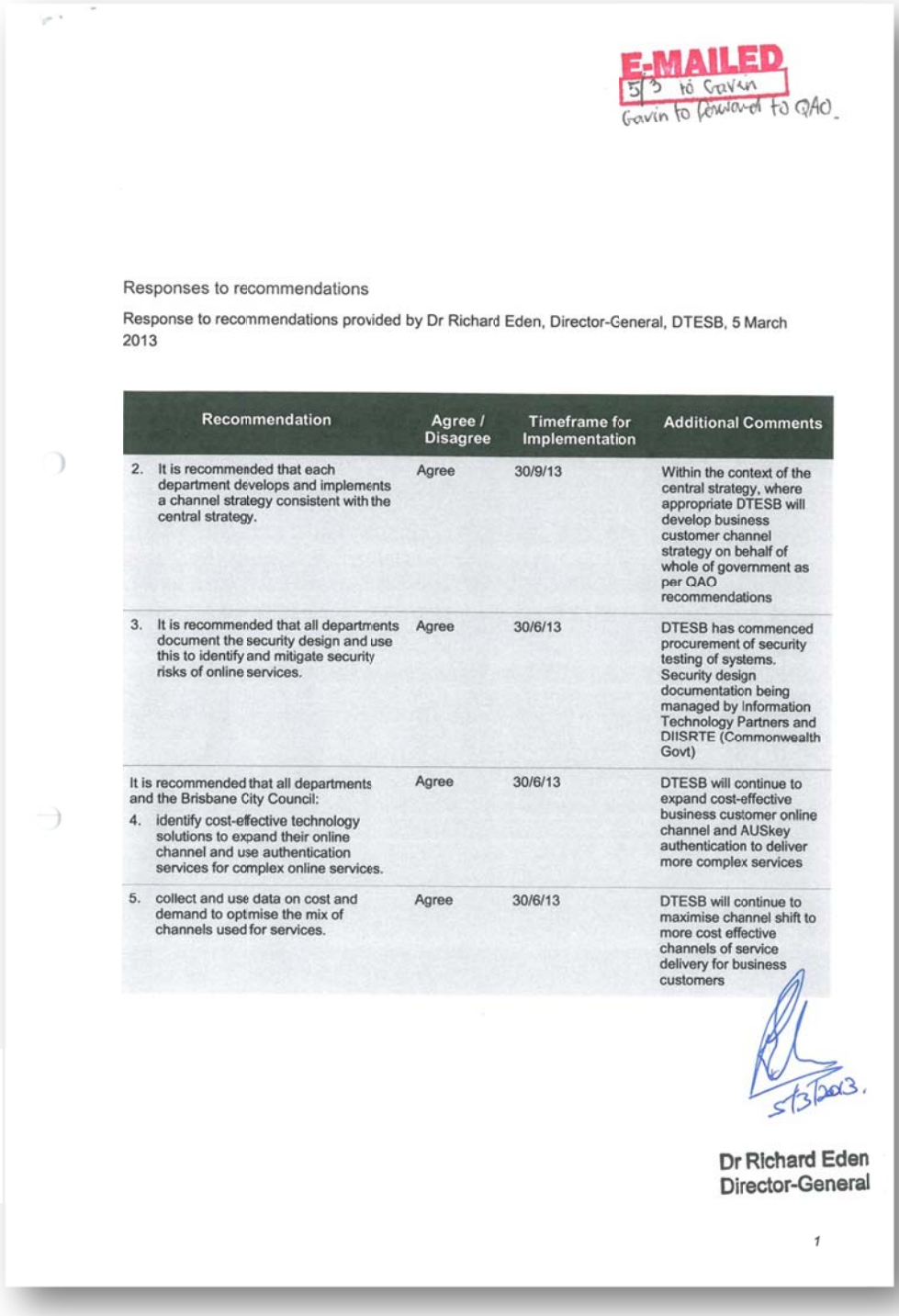
PO Box 15168
CITY EAST QLD 4002

Telephone +61 7 3224 4009
Facsimile +61 7 3225 2004
Website www.dtesb.qld.gov.au
ABN 83 481 966 722

Responses to recommendations

Response to recommendations provided by the Department of Tourism, Major Events, Small Business and the Commonwealth Games.



E-MAILED
5/3 to Gavin
Gavin to forward to QAO.

Responses to recommendations

Response to recommendations provided by Dr Richard Eden, Director-General, DTESB, 5 March 2013

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
2. It is recommended that each department develops and implements a channel strategy consistent with the central strategy.	Agree	30/9/13	Within the context of the central strategy, where appropriate DTESB will develop business customer channel strategy on behalf of whole of government as per QAO recommendations
3. It is recommended that all departments document the security design and use this to identify and mitigate security risks of online services.	Agree	30/6/13	DTESB has commenced procurement of security testing of systems. Security design documentation being managed by Information Technology Partners and DIISRTE (Commonwealth Govt)
It is recommended that all departments and the Brisbane City Council: 4. identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.	Agree	30/6/13	DTESB will continue to expand cost-effective business customer online channel and AUSkey authentication to deliver more complex services
5. collect and use data on cost and demand to optimise the mix of channels used for services.	Agree	30/6/13	DTESB will continue to maximise channel shift to more cost effective channels of service delivery for business customers

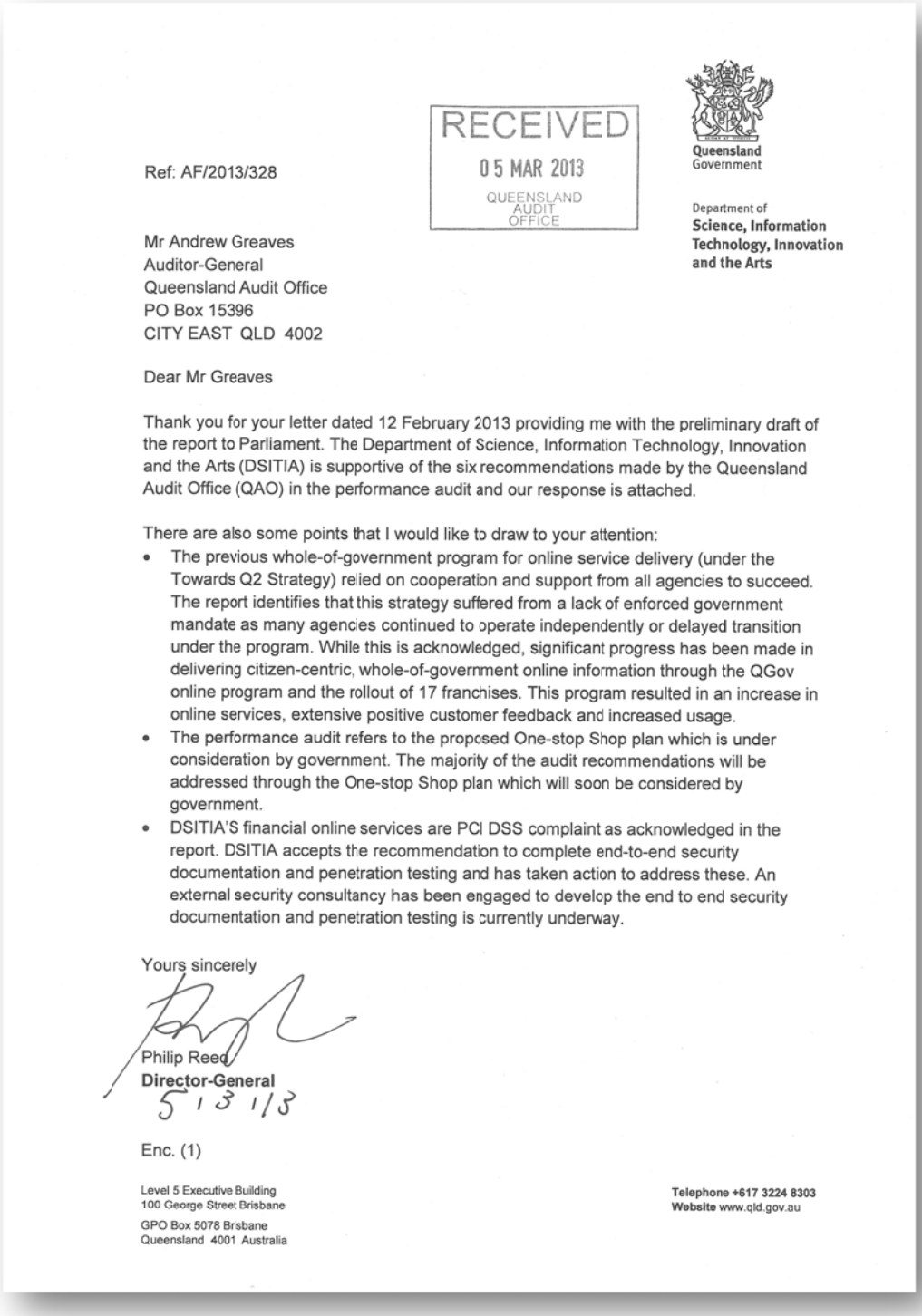
5/3/2013.

Dr Richard Eden
Director-General

1

Comments received

Response provided by the Director-General, Department of Science, Information Technology, Innovation and the Arts on 05 March 2013.



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05 MAR 2013
QUEENSLAND AUDIT OFFICE

Queensland Government

Department of **Science, Information Technology, Innovation and the Arts**

Ref: AF/2013/328

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves

Thank you for your letter dated 12 February 2013 providing me with the preliminary draft of the report to Parliament. The Department of Science, Information Technology, Innovation and the Arts (DSITIA) is supportive of the six recommendations made by the Queensland Audit Office (QAO) in the performance audit and our response is attached.

There are also some points that I would like to draw to your attention:

- The previous whole-of-government program for online service delivery (under the Towards Q2 Strategy) relied on cooperation and support from all agencies to succeed. The report identifies that this strategy suffered from a lack of enforced government mandate as many agencies continued to operate independently or delayed transition under the program. While this is acknowledged, significant progress has been made in delivering citizen-centric, whole-of-government online information through the QGov online program and the rollout of 17 franchises. This program resulted in an increase in online services, extensive positive customer feedback and increased usage.
- The performance audit refers to the proposed One-stop Shop plan which is under consideration by government. The majority of the audit recommendations will be addressed through the One-stop Shop plan which will soon be considered by government.
- DSITIA'S financial online services are PCI DSS complaint as acknowledged in the report. DSITIA accepts the recommendation to complete end-to-end security documentation and penetration testing and has taken action to address these. An external security consultancy has been engaged to develop the end to end security documentation and penetration testing is currently underway.

Yours sincerely

Philip Reed
Director-General
5/3/13

Enc. (1)

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Telephone +617 3224 8303
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Responses to recommendations

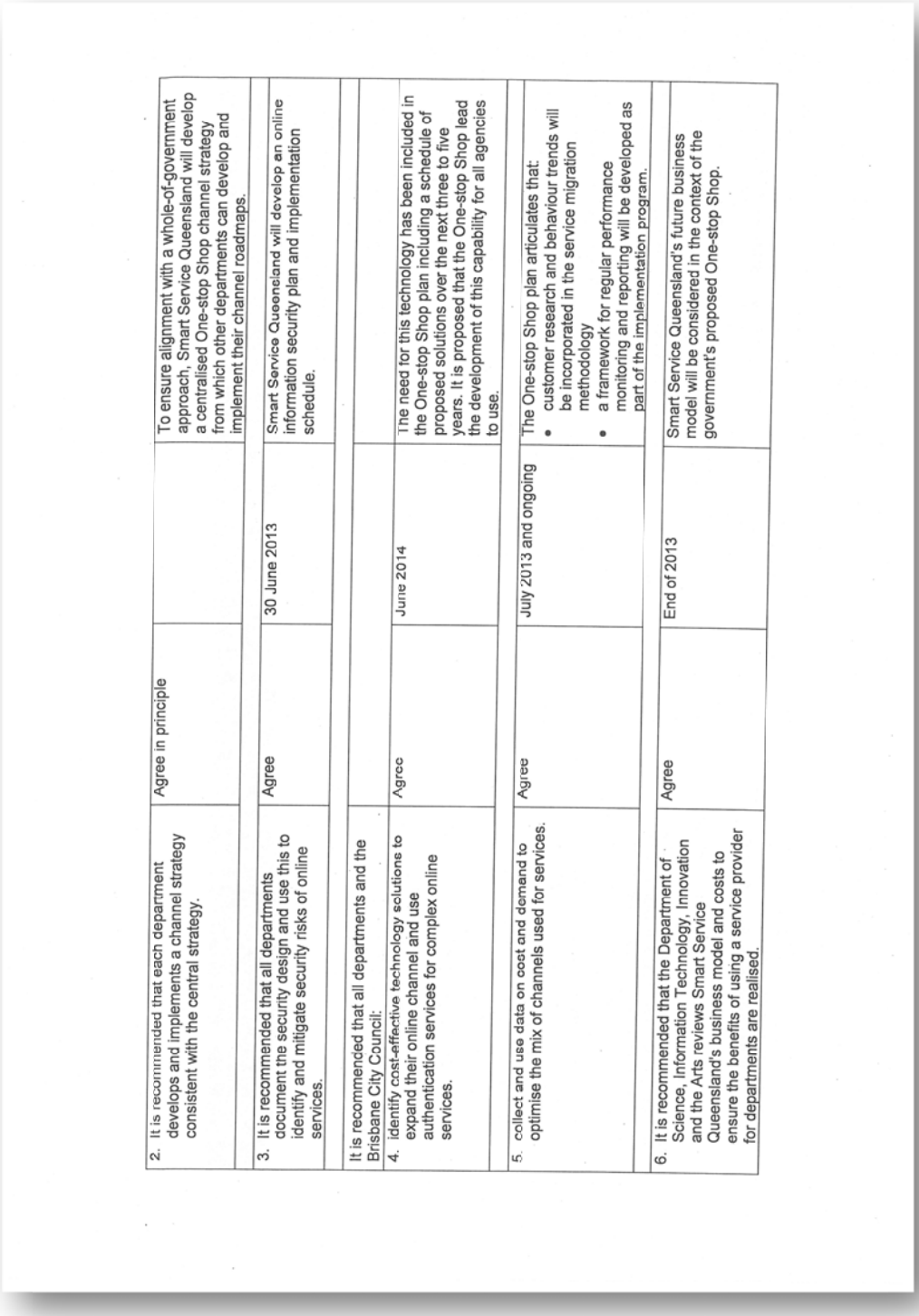
Response to recommendations provided by the Department of Science, Information Technology, Innovation and the Arts.

DSITIA Response to recommendations

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
1. It is recommended that the Department of Science, Information Technology, Innovation and the Arts ensures that the central channel strategy includes:			
• aligning current service delivery options with customer needs, service characteristics and central priorities with consideration given to developing separate strategies for public and business online services to meet the specific needs of these customer segments	Agree	TBA	This recommendation will be addressed through the planned One-stop Shop which will provide a whole-of-government strategy for the provision of government services (both public and business) across all channels including online. It aligns service delivery options with customer needs and government priorities. This plan is still subject to formal government approvals.
• increasing the number of services available online and moving customers to the preferred channels for each service	Agree	2013 to 2016	The One-stop Shop plan will provide a high level roadmap for delivery of all relevant services online over a three to five year planning horizon. Agency level service migration plan for online services will be completed by June 2013.
• a benefits realisation plan and migration plan for each department to ensure that the expected benefits of implementing the central channel strategy are realised	Agree	From July 2013	A draft Benefits and Realisation Framework has been developed for finalisation following approval for the One-stop Shop plan.
• performance indicators to measure the success of the online channel for satisfying customer needs.	Agree	From July 2013	Proposed performance measures have been included in One-stop Shop plan and the related Benefits and Realisation Framework.

Responses to recommendations

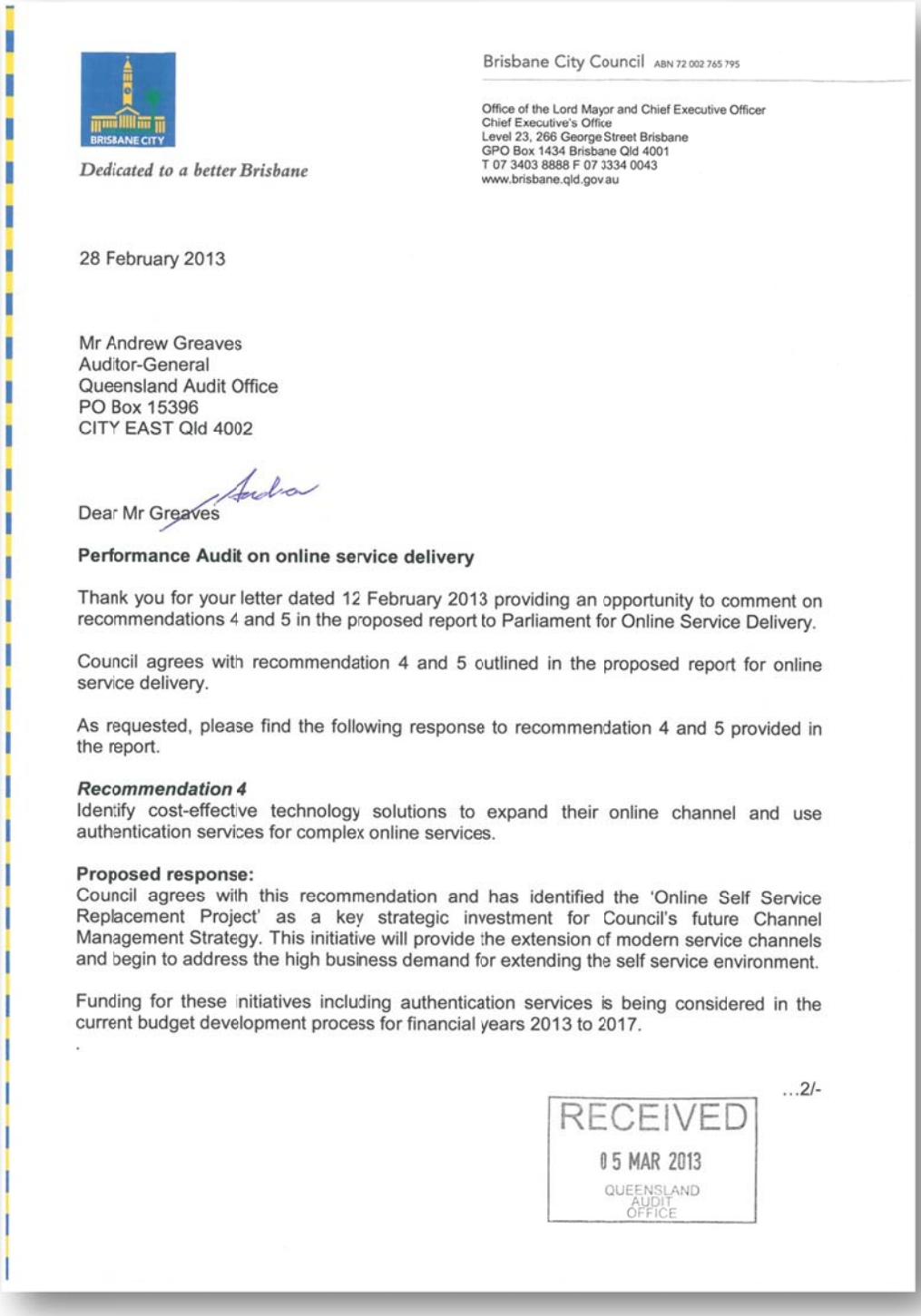
Response to recommendations provided by the Department of Science, Information Technology, Innovation and the Arts.



2. It is recommended that each department develops and implements a channel strategy consistent with the central strategy.	Agree in principle			To ensure alignment with a whole-of-government approach, Smart Service Queensland will develop a centralised One-stop Shop channel strategy from which other departments can develop and implement their channel roadmaps.
3. It is recommended that all departments document the security design and use this to identify and mitigate security risks of online services.	Agree	30 June 2013		Smart Service Queensland will develop an online information security plan and implementation schedule.
It is recommended that all departments and the Brisbane City Council:				
4. identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.	Agree	June 2014		The need for this technology has been included in the One-stop Shop plan including a schedule of proposed solutions over the next three to five years. It is proposed that the One-stop Shop lead the development of this capability for all agencies to use.
5. collect and use data on cost and demand to optimise the mix of channels used for services.	Agree	July 2013 and ongoing		The One-stop Shop plan articulates that: • customer research and behaviour trends will be incorporated in the service migration methodology • a framework for regular performance monitoring and reporting will be developed as part of the implementation program.
6. It is recommended that the Department of Science, Information Technology, Innovation and the Arts reviews Smart Service Queensland's business model and costs to ensure the benefits of using a service provider for departments are realised.	Agree	End of 2013		Smart Service Queensland's future business model will be considered in the context of the government's proposed One-stop Shop.

Comments received

Response provided by the Chief Executive Officer, Brisbane City Council on 05 March 2013



Brisbane City Council ABN 72 002 765 795

Dedicated to a better Brisbane

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28 February 2013

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST Qld 4002

Dear Mr Greaves

Performance Audit on online service delivery

Thank you for your letter dated 12 February 2013 providing an opportunity to comment on recommendations 4 and 5 in the proposed report to Parliament for Online Service Delivery.

Council agrees with recommendation 4 and 5 outlined in the proposed report for online service delivery.

As requested, please find the following response to recommendation 4 and 5 provided in the report.

Recommendation 4
Identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.

Proposed response:
Council agrees with this recommendation and has identified the 'Online Self Service Replacement Project' as a key strategic investment for Council's future Channel Management Strategy. This initiative will provide the extension of modern service channels and begin to address the high business demand for extending the self service environment.

Funding for these initiatives including authentication services is being considered in the current budget development process for financial years 2013 to 2017.

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05 MAR 2013
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Responses to recommendations

Response to recommendations provided by the Brisbane City Council.

-2-

Recommendation 5
Collect and use data on cost and demand to optimise the mix of channels used for services.

Proposed response:
Council agrees with this recommendation and as part of the refresh of Council's Channel Management Strategy in 2013 will review high level costs and demand for each channel.

Council is currently undertaking a review of its self service capability and will deliver a 'BCC Online Service Delivery Roadmap' by December 2013. This will allow an assessment of our current technology against the strategic direction and allow for prioritisation of improvements needed to deliver the roadmap.

Council's view of this new technology will enable improvements to manage our channels and services collectively by demand and cost to deliver any outcomes of the revised Channel Management Strategy.

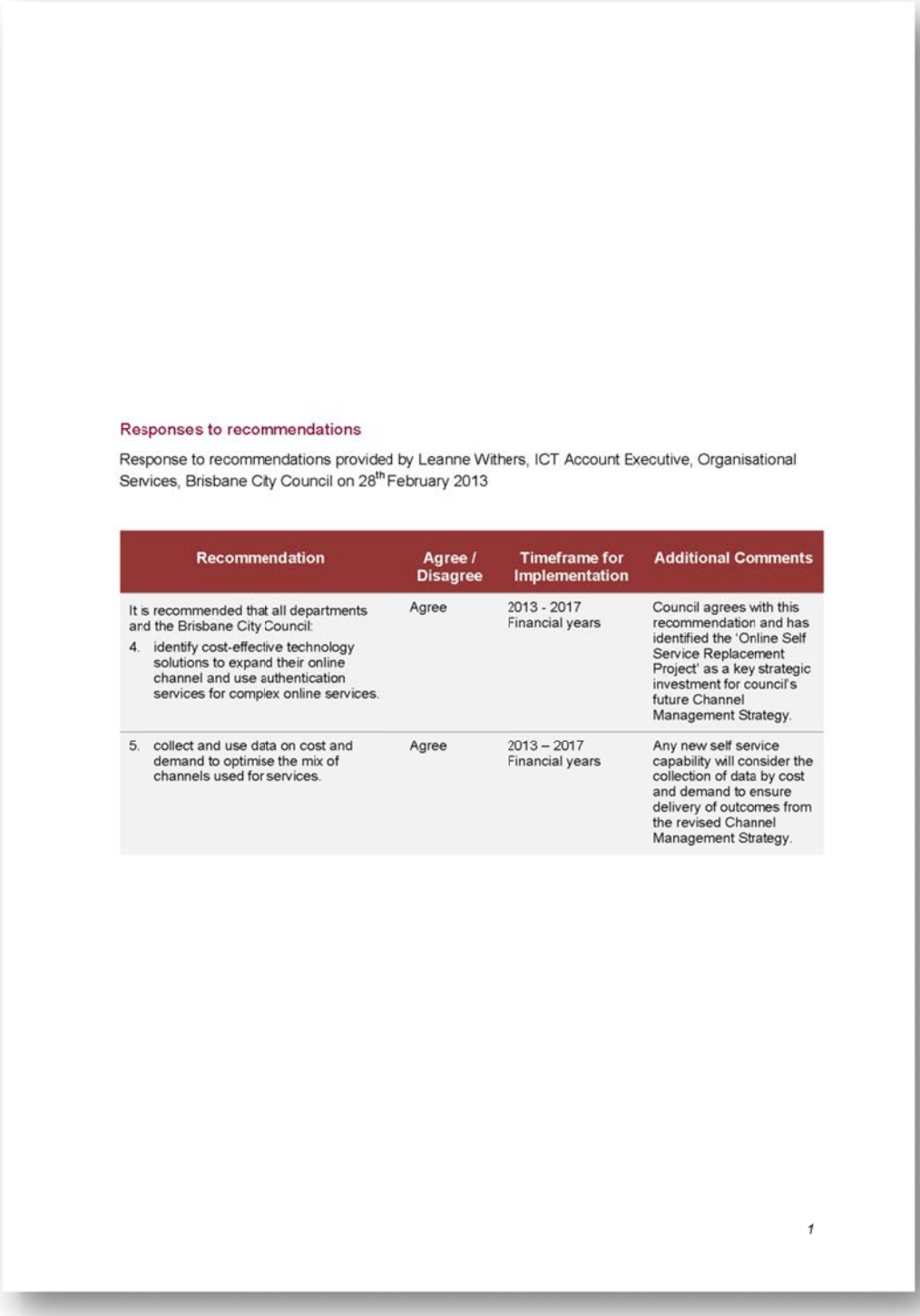
If you would like to discuss this response further, please contact Leanne Withers, ICT Account Executive, Commercial Services on 3403 9103.

Yours sincerely

Colin Jensen
CHIEF EXECUTIVE OFFICER

Responses to recommendations

Response to recommendations provided by the Brisbane City Council.



Responses to recommendations

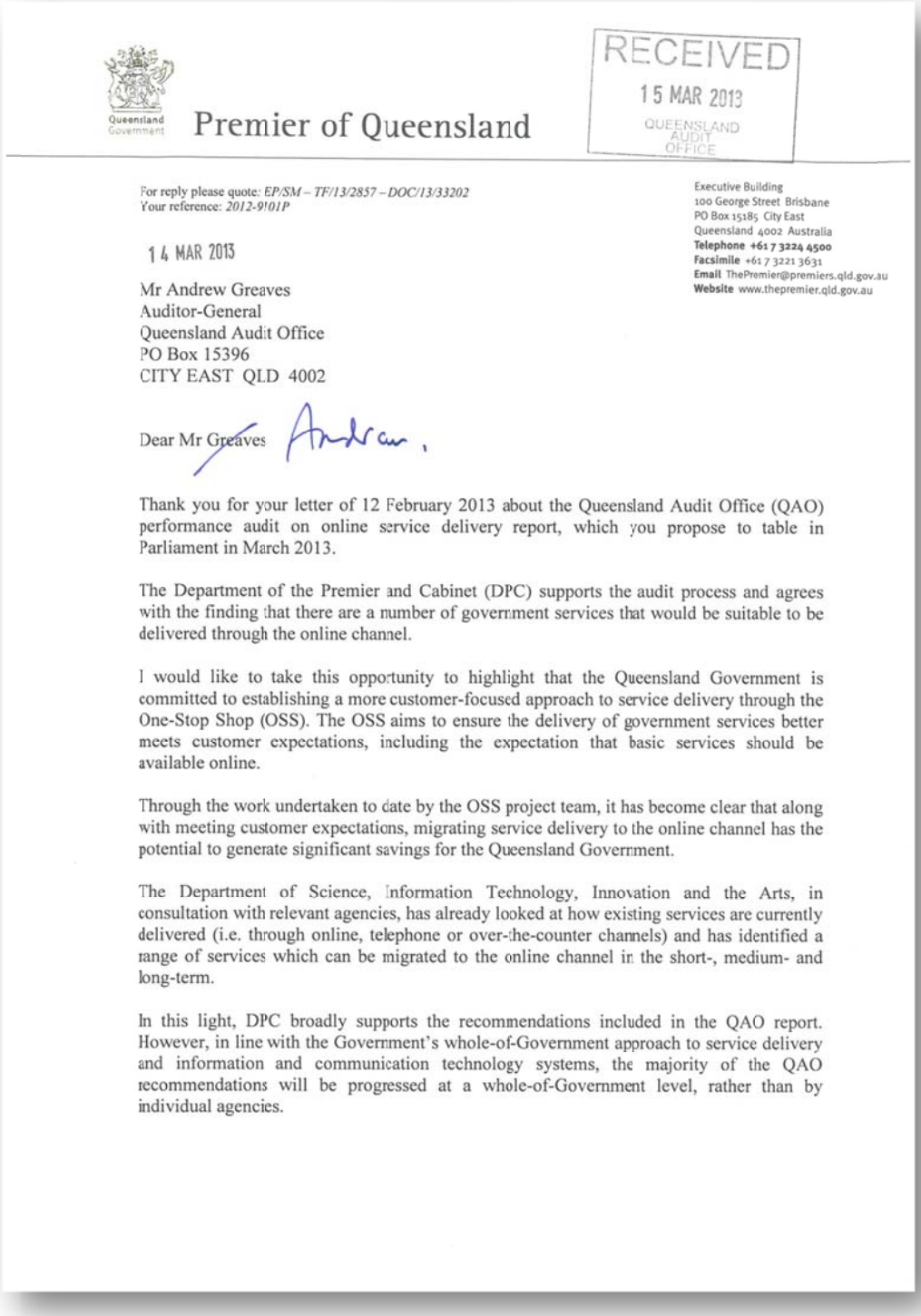
Response to recommendations provided by Leanne Withers, ICT Account Executive, Organisational Services, Brisbane City Council on 28th February 2013

Recommendation	Agree / Disagree	Timeframe for Implementation	Additional Comments
It is recommended that all departments and the Brisbane City Council: 4. identify cost-effective technology solutions to expand their online channel and use authentication services for complex online services.	Agree	2013 - 2017 Financial years	Council agrees with this recommendation and has identified the 'Online Self Service Replacement Project' as a key strategic investment for council's future Channel Management Strategy.
5. collect and use data on cost and demand to optimise the mix of channels used for services.	Agree	2013 – 2017 Financial years	Any new self service capability will consider the collection of data by cost and demand to ensure delivery of outcomes from the revised Channel Management Strategy.

1

Comments received

Response provided by the Premier of Queensland on 15 March 2013.



Queensland Government

Premier of Queensland

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15 MAR 2013
QUEENSLAND AUDIT OFFICE

For reply please quote: *EP/SM – TF/13/2857 – DOC/13/33202*
Your reference: *2012-9101P*

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14 MAR 2013

Mr Andrew Greaves
Auditor-General
Queensland Audit Office
PO Box 15396
CITY EAST QLD 4002

Dear Mr Greaves Andrew,

Thank you for your letter of 12 February 2013 about the Queensland Audit Office (QAO) performance audit on online service delivery report, which you propose to table in Parliament in March 2013.

The Department of the Premier and Cabinet (DPC) supports the audit process and agrees with the finding that there are a number of government services that would be suitable to be delivered through the online channel.

I would like to take this opportunity to highlight that the Queensland Government is committed to establishing a more customer-focused approach to service delivery through the One-Stop Shop (OSS). The OSS aims to ensure the delivery of government services better meets customer expectations, including the expectation that basic services should be available online.

Through the work undertaken to date by the OSS project team, it has become clear that along with meeting customer expectations, migrating service delivery to the online channel has the potential to generate significant savings for the Queensland Government.

The Department of Science, Information Technology, Innovation and the Arts, in consultation with relevant agencies, has already looked at how existing services are currently delivered (i.e. through online, telephone or over-the-counter channels) and has identified a range of services which can be migrated to the online channel in the short-, medium- and long-term.

In this light, DPC broadly supports the recommendations included in the QAO report. However, in line with the Government's whole-of-Government approach to service delivery and information and communication technology systems, the majority of the QAO recommendations will be progressed at a whole-of-Government level, rather than by individual agencies.

Comments received

Response provided by the Premier of Queensland on 15 March 2013.

To ensure the recommendations and issues raised in the QAO report are appropriately addressed, I have requested the Honourable Ian Walker MP, Minister for Science, Information Technology, Innovation and the Arts, review the recommendations and ensure the plans for improved online delivery of government services remain consistent with what has been outlined in the report.

Please be assured that all relevant government agencies will be heavily involved in any effort to improve online services, to ensure customer and business requirements for individual departments are appropriately considered.

Again, thank you for bringing these issues to my attention.

Yours sincerely

CAMPBELL NEWMAN

Page 2 of 2

Appendix – B Audit details

Audit objective

The objective of this audit was to determine whether the public sector has optimised its use of information technology for the delivery of services online.

It reviewed whether:

- Public sector services are available and accessible online
- Online services are reliable and secure
- Online service delivery is cost-effective

Reason for the audit

People want to access public sector services through mechanisms they frequently use. Internet usage in Australia continues to grow and users expect to be able to access information and services anytime, in any location, on any device. Mobile wireless connections increased by 14.7 per cent in Australia in the period June 2011 to December 2011, and accounted for 47 per cent of internet connections. There were 11 million mobile handset subscribers with an internet connection in December 2011, an increase of 13.6 per cent from six months earlier (Australian Bureau of Statistics, March 2012).

Services made available using self-service options like the Internet and Integrated Voice Response (IVR) have the potential to improve accessibility of public sector services at reduced support costs when compared to using a customer service centre.

With renewed focus in the public sector to reduce costs and revitalise front-line service delivery, this audit is timely, as effective use of technology is a key enabler to achieve both outcomes.

Performance audit approach

The audit was conducted between August 2012 and December 2012. The audit examined the performance of four departments and one council in online service delivery.

The audit consisted of:

- interviews with key staff of Smart Service Queensland, Office of State Revenue, Department of Tourism, Major Events, Small Business and the Commonwealth Games, Department of Transport and Main Roads and the Brisbane City Council
- analysis of documents including strategies, plans, policies and performance reports
- testing of security controls for online systems
- analysis of channel volumes and costs.

The audit was undertaken in accordance with *Queensland Auditor-General Auditing Standards*, which incorporate Australian auditing and assurance standards.

Auditor-General Reports to Parliament

Tabled in 2012–13

Report number	Title of report	Date tabled in Legislative Assembly
1	Racing Queensland Limited: Audit by arrangement	July 2012
2	Follow up of 2010 audit recommendations	October 2012
3	Queensland Health – eHealth Program	November 2012
4	Tourism industry growth and development	November 2012
5	Results of audits: State public sector entities 2011–12	November 2012
6	Implementing the National Partnership Agreement on Homelessness in Queensland	February 2013
7	Results of audit: Queensland state government financial statements 2011-12	March 2013
8	Online service delivery	March 2013
9	Fraud risk management	March 2013

Reports to Parliament are available at www.qao.qld.gov.au