The Victorian Ombudsman's investigation into ICT-enabled projects

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Session overview

ICT report

- Background

- Scope, objectives and methodology

- Conclusions

- Common themes

- Recommendations

- Future Review

Questions

Background

- Role of the Ombudsman

- What is ICT? What is ICT-enabled?

- History of ICT failures: state, national and international level

- Ombudsman and Auditor-General reports on ICT

- Little signs of lessons learnt

- Ombudsman and Auditor-General agreed to investigate

- April 2011: Ombudsman commenced own motion investigation

- Conducted in consultation with the Victorian Auditor-General's Office.

Scope

- Examined 10 ICT-enabled projects:
    - Link (Victoria Police)
    - HealthSMART (Department of Health)
    - myki (Transport Ticketing Authority)
    - Registration and Licensing – RandL (VicRoads)
    - Client Relationship Information System – CRIS (Department of Human Services)
    - Ultranet (Department of Education and Early Childhood Development)
    - Integrated Courts Management System – ICMS (Department of Justice)
    - Property and Laboratory Management – PALM (Victoria Police)
    - HRAssist (Victoria Police)
    - Housing Integrated Information Program – HIIP (Office of Housing).

Investigation

- Objectives:
  - determine whether the projects were over-budget and/or delayed and the reasons for this
  - determine whether the ICT systems met the needs for which they were designed
  - determine who should take responsibility for project failures
  - determine what lessons can be learned.

- Methodology:
  - investigators reviewed public documentation on ICT project failings/learnings
  - investigators met with or interviewed over 100 people
  - investigators conducted site visits to child protection, housing and education offices; hospitals; and the Supreme Court
  - investigators reviewed extensive documentation relating to planning, procurement, project delivery and training.

Conclusions

- Every one of the projects failed to meet expectations; most failed to meet delivery timelines; and all ran over budget.

- The latest estimated cost is significantly more than budgeted. Current estimate: $2.74 billion.

  - The budget for DHS's CRIS project increased by 272 per cent.

  - If Link were to be completed it would cost over three times the original budget.

  - There has also been significant wastage:

  - VicRoads spent $50 million on RandL over three years – at the time of the report, the project had not made it past the design phase and was yet to receive funding for project delivery.

  - Victoria Police spent $59 million on Link over five years – the project has now been cancelled and this money is lost.

  - The additional money spent on these projects represents many foregone hospital beds, trains, police and child protection workers.

Five common themes

1. Leadership, accountability and governance
2. Planning
3. Funding
4. Probity and procurement
5. Project management.

Leadership, accountability and governance

- Roles and responsibilities for ICT-enabled projects were often not clearly defined, acknowledged and accepted.

- Senior officers appeared reluctant to make critical decisions about projects.

- Many of the project steering committees did not have the requisite expertise.

- Many of the projects would have benefited from the Department of Treasury and Finance (DTF) taking a more pro-active role.

- DTF's Gateway Review process was limited by its reliance on agencies engaging in and being supportive of the process.

- There was limited publicly available information about the 'high-value and high-risk' process and some witnesses from DTF and departments remained unclear about it.

Planning

- In some cases, optimism bias led to costs and timelines being based upon hope, rather than evidence.

- Agencies often gave the government no choice other than to invest in the agency's preferred option and failed to provide government with adequate advice.

- Business cases for many of the projects were not updated throughout the life of the projects. In some cases, they were not read by key people.

- Insufficient attention was given to managing or mitigating risks.

Funding

- Agencies felt the need to create 'big vision' projects to capture the government's attention, which increased complexity and risk.

- Despite receiving only partial funding, agencies failed to revise the scope of the project to fit within the allocated budget.

- Major project funding decisions were announced prior to business case development.

- Business cases were rushed and projects 'shoe-horned' into the published funding ceiling.

- The costs and timelines of comparative projects were sometimes ignored.

- Projects funded internally were not subject to the same level of scrutiny as BERC-funded projects.

- Agencies were unable to identify the cost of significant projects with accuracy.

Probity and procurement

- Agencies appeared to pay limited regard and expended minimal funds on probity advice and audit.

- Agency and probity practitioner responses to conflict of interest sometimes failed to recognise the importance of the perception of a conflict of interest.

- Agencies tended to purchase off-the-shelf systems and customise them to such a degree that the benefits were lost to government.

- Government should explore new procurement methods for ICT-enabled projects.

- Large vendors are well-versed and experienced in contract negotiations, putting relatively inexperienced government staff at a disadvantage.

Project management

- Several agencies failed to act with enough urgency to address potential problems and in doing so allowed the issue to escalate.

- There is a shortage of skilled senior project managers with relevant ICT experience in government. To compensate, agencies often appoint expensive contractors or inexperienced public sector staff.

- Managing vendor and user relationships can be a complex exercise and agencies have adopted differing approaches to this problem with different degrees of success.

- Approaches to training staff were varied and not always effective.

Recommendations

- The framework within which agencies seek funds, manage and review projects needs to be improved.

- The scale of the problem suggests that significant ICT-enabled projects should be treated as a special case at least until the bureaucracy is sufficiently experienced to handle these projects well.

- The Ombudsman developed a framework that builds on current guidance and advice from the Auditor-General and DTF and provides a practical solution to many of the problems commonly encountered. The framework contains 42 recommendations based around these five common themes.

- The Ombudsman also made recommendations that suggest a way forward for each of the 10 projects.

Recommendations

For all ICT-enabled projects over $20 million:

- Increase the oversight and accountability of Ministers and secretaries.

- Enhance the role and accountability of DTF.

- Capitalise on the value of Gateway, including making it mandatory.

- Require that agencies seek funding and undertake projects in stages.

- Wait until the completion of the planning/procurement before announcing funding/timelines.

- Examine the 'competitive dialogue' process used in the United Kingdom for ICT procurement.

- Examine strategies to attract skilled ICT staff.

- Ensure the Victorian Government Solicitor is briefed early and that his office endorses all contracts.

Future review

- These problems are not limited to the Victorian public sector.

- There is no panacea.

- Arrangements would benefit from a review in two years time to ensure their effectiveness, ongoing relevance and practicability.

Questions?