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Ms Lia Finocchiaro, MLA
Chair
Public Accounts Committee
GPO Box 3721
DARWIN NT 0801

Dear Ms Finocchiaro,

RE: CALLS FOR SUBMISSION ON MANAGEMENT OF ICT PROJECTS

In response to your letter dated 4 September 2013, my Department has prepared the following submission.

This submission has been written in relation to the Departments development of the Grants Management System (GMS) through our contracted Vendor Fujitsu Australia.

- 1. The factors that are considered to have determined either success or failure in outcomes in regards to a) cost, b) time, c) meeting user needs, d) meeting project objectives:**
 - Risk mitigation strategies have been employed to insulate DoH from potential financial losses arising from the GMS. No payments have been authorised for disbursement since April 2012, based on DoH assessing that deliverables produced by the original sub-contractor were not of a suitable standard, and part-performance did not warrant issuance of payments beyond the initial outlay of \$300K (of the total \$900K original contract price). DoH negotiated with Fujitsu to exercise an option in the original contract for them to develop the GMS system in-house for a fixed price of \$660k including GST that is essentially for the original contracted price. A decision was made in 2012 to suspend development of the GMS utilising a sub-contractor and it's customisable off the shelf product due to failure of the sub-contractor to deliver a suitable product.
 - In terms of cost outcomes the Department will receive an advanced GMS system built to the Department's functional specifications that has a revised indicative total development cost value in excess of \$3m, for a total outlay of \$660k which is a good overall project outcome.

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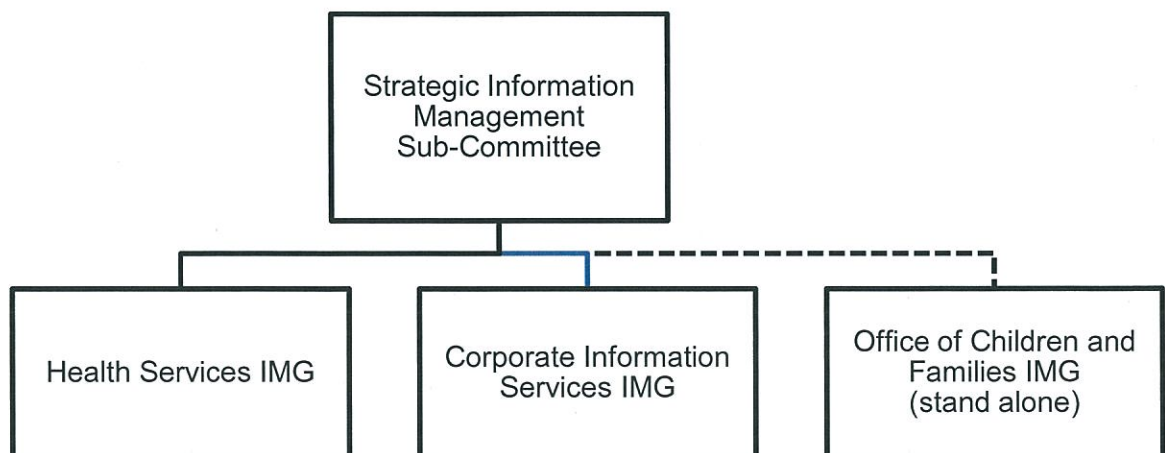
- Success in relation to cost and time will be determined by the value of the end product to be received; the GMS will deliver operational and financial efficiencies which will considerably outweigh the cost of development.
 - Potential losses arising from a delay in delivery have been mitigated by DoH putting in place transitional measures for training and staff development, to prepare the business to implement the GMS shortly after delivery of the end product and continuing use of existing legacy systems.
 - The GMS will comprehensively meet user needs and DoH project objectives, based on extensive business analysis and creation of robust detailed design specifications. The ability of the Project Team to engage with key system users and design a solution to support automated workflow and a full end to end electronic processing of Grant applications and administration of contracts and payments has been a major success factor. The GMS system development is approximately 80% complete and progressive quality assurance sprint reviews by the Project Manager and super users have provided confidence that the end product will meet user needs and DoH project objectives.
 - The secure, web-based GMS will facilitate end-to-end management of the grants process, standardise and streamline business processes, and provide accurate, on-demand reporting information on the distribution, quantum, and location of grants funded by the Department. The GMS will importantly address all concerns and recommendations raised by the Auditor General in relation to the Departments grants administration. More specifically, the GMS will:
 - Enable DoH to apply necessary accountability and controls to the provision and management of grants, in accordance with section A6.4 of the NT Treasurer's Directions and *Financial Management Act* 1995;
 - Serve as a single, secure electronic repository to house documentation relating to the provision of individual grants;
 - Replace inefficient paper-based processes, and legacy systems currently overseeing management of grants, including SAAS and CIAS, spread sheets and access databases.
 - Provide External Service Providers (ESPs) with a centralised, authoritative source for information relating to grants, and the facility to lodge online funding applications, and monitor and acquit grants.
 - Based on progressively reviews of the product under development by key stakeholders and users, DoH is now confident that this advanced corporate system will meet the above objectives and has the potential to be more widely adopted across other NTG agencies managing Grants Management Programs.
- 2. Lessons learned from the implementation of each of the projects mentioned above and how that experience might influence management of future ICT projects.**
- All future major ICT projects will be managed to ensure that vendors share a common understanding of the methodology, culture, scale, and approach of government, to prevent any mismatch in governance and quality expectations, or communication breakdown.

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- Future ICT projects of the scale of the GMS project will be managed within the Information Services Division of DoH (and more broadly owned by Corporate Support Bureau). The Information Services Division has implemented a Program Office and adopted Prince 2 information governance methodologies and processes to improve the overall quality of project management of major ICT Projects and ensure appropriate Governance arrangements are in place.
- The GMS project was originally sponsored and project managed through a Policy Division of the Department and did not have the level of project management, project governance and executive officer business sponsorship for a project of this magnitude. These risks were identified and subsequently rectified with a decision to bring the GMS project under Information Services Project Management, recruit a new Project Management Director and reassign executive project sponsorship responsibility to the Senior Director, Office of the Chief Executive. A new high level Executive Project Steering Committee was also put in place with senior representatives from both DoH and Fujitsu with weekly meetings initially to ensure appropriate project governance and decision making.
- To provide business continuity and as a risk mitigation measure, future project management will involve a team of suitably qualified persons including super users from the business unit rather than placing responsibility with a single project manager.

DoH Information Management Governance

The Department has had well established strategic information management governance models and processes in place for many years with a Strategic Information Management Subcommittee (SIMSC) operating as a Subcommittee of the Executive Leadership Team (ELT). SIMSC provides leadership and advice in relation to optimal use of information resources to improve business support and flexibility, alignment with strategic directions and return on investment. This committee is also the overarching Information Committee responsible for determining strategic information direction, policy and priorities and feeds into IMG's. The SIMSC is supported by a number of Information Management Groups that are responsible for determining information priorities and developing work programs to meet the business needs of the major operating service divisions and corporate support services. The current high level information management governance structure is as follows:



ICT Project Delivery and Management Processes

Operationally, the project is managed by a Project Management Director, reporting and providing recommendations to DoH Executive members of the Governance Group and reporting operationally to the Chief Information Officer. The Director oversees development and quality assurance testing to ensure that the product is delivered according to its exact agreed specifications and requirements. The Director advises the departmental Grants Administration Unit (GAU) on implementation, training, and knowledge transfer; the GAU thereafter communicates directly with DoH operational and policy branches, and coordinates user acceptance testing with a super-user group consisting of experienced operational personnel.

3. Options for improving ICT procurement and management across government.

- Future procurement will place greater emphasis on ensuring business readiness, through a more comprehensive understanding of not only current practice but also the form and content of precise outcomes required.
- Procurement of products substantially involving financial, technological, and/or business workflow objectives will be led by ICT, and not operational or policy divisions of DoH.
- Consideration of off-the-shelf products will prioritise gaining an understanding of the fitness-for-purpose of the product, including understanding the full architecture of such applications, vis-à-vis the level of customisation that may be required, as distinct from configuration.
- Business requirements and policy frameworks will be finalised prior to seeking expressions of interest from vendors.
- The agency will provide robust functional requirement specifications, suitable for inclusion in request for tenders, to enable prospective tenderers to provide high quality responses, as well as better targeted and defined evaluation criteria for assessment of tender responses.

In closing, even with the best governance, project management and risk mitigation strategies in place, major ICT projects can encounter difficulties, experience budget pressures, be delayed and require variation to specifications. The Department of Health has significant experience in the management of major and complex ICT projects and has identified and implemented risk management strategies and continues to manage its risk appropriately.

Yours sincerely


Jeffrey Moffet
28 October 2013