LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY

12th Assembly

Public Accounts Committee

Public Hearing Transcript
Tuesday, 27 November 2012
Litchfield Room, Level 3 Parliament House Darwin

Members:	Mr Peter Styles (Chair), MLA, Member for Sanderson
	Ms Lia Finocchiaro, MLA, Member for Drysdale
	Ms Larisa Lee, MLA, Member for Arnhem
	Mr Michael Gunner, MLA, Member for Fannie Bay
	Ms Natasha Fyles, MLA, Member for Nightcliff
	Mr Gerry Wood, MLA, Member for Nelson
Witnesses:	*12.50pm – Department of Infrastructure*
	Mr Alan Wagner, Chief Executive
	Ms Cate Lawrence, Executive Director
	Mr Frank McGuiness, Auditor-General
	1.20pm – Department of Housing
	Mr John Baskerville, Chief Executive
	Ms Mychelle Curran, Deputy Chief Executive, Urban Housing
	Mr Frank McGuiness, Auditor-General

PUBLIC HEARING – ASSET MANAGEMENT SYSTEM
HEARING
Tuesday 27 November 2012

Department of Infrastructure
Mr Alan Wagner, Chief Executive
Ms Cate Lawrence, Executive Director Infrastructure Services
Mr Frank McGuiness, Auditor-General

Hearing commenced at 12:50pm

Mr CHAIRMAN: On behalf of the committee I welcome everyone to this public hearing into the Asset Management System. I particularly welcome to the table to give evidence to the committee Mr Alan Wagner, Chief Executive of the Department of Infrastructure, Ms Cate Lawrence, Executive Director, Infrastructure Services. Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

This is a formal proceeding of the committee. The protection of parliamentary privilege and the obligation not to mislead the committee apply. A transcript will be made for use of the committee and may be put on the committee's website. If at any time during the hearing you are concerned that what you will say should not be made public, you may ask the committee to go into a closed session and provide your evidence in private.

I will ask each witness to state their name for the record and the capacity in which they appear. I will then ask you to make a brief opening statement before proceeding to the committee's questions. Mr Wagner and Ms Lawrence, could you please state your full name and the capacity in which you are appearing.

Mr WAGNER: Alan Wagner, Chief Executive, Department of Infrastructure.

Ms LAWRENCE: Cate Lawrence, Executive Director, Department of Infrastructure.

Mr CHAIRMAN: Mr Wagner would you like to make an opening statement.

Mr WAGNER: Yes, thank you very much for the invitation to appear today. I have a few points I will quickly run through and then we can get to the detail.

Our Asset Management System project is not complete so this is an interim update from our perspective. It is a large complex information-based IT system and the platform is SAP. It replaced nine ageing legacy systems and the project commenced in 2005-06 with an initial budget of $14m.

There were significant issues during the blueprint briefing stage which had to be reworked. The decision to retain the system integrator, Fujitsu, as an end-to-end system integrator was made soon after that time. Subsequent delays were incurred during the build phase and that caused us time and cost impacts.

The budget was raised to $30.2m and the go live for stage one delayed until 18 April 2012. We have increased the project team resources and strengthened the governance. We have had several independent reports into this project. We have appointed expert SAP people to work as a project team and project manage the project up until go live - about six months before the end of that. We have appointed expert SAP to lead the data migration team as a risk management strategy. We have ensured all users signed off the user acceptance testing to say they are happy with the proposals. We delayed go live until all users had signed off. We changed our strategy on train the trainer to direct training for staff to ensure the training was very effective and, as I said, go live was stage 1 at April 2002.

Stage 2 is currently being built and tested, but will not go live until stage 1 is complete. We wrote to every NTG contractor advising we are making the change with the system prior to go live. We

subsequently had a problem with the government accounting system interface which caused some of the problems with contractors you would be aware of. We had 90 payments fall into a suspense account and four payments were late as a result of the AMS system.

We experienced problems with the Housing portal. I note my colleague, the chief executive of Housing will talk to you soon so I will not go into too much detail. System speed, the requirement for GST, the security of the portal and remittances advices are issues we have fixed or are fixing.

In review, the SAP and technology platform are robust and we are very happy with that. The GAS interface has been fixed by a dedicated team and is at final testing stage, so we will not have those ongoing problems. We have had an independent health check review at a point in time to ensure SAP was the right solution. That produced four options: the continuation with AMS/SAP to build something new, start afresh, to go back to legacy systems, or to use a cloud technology - pay someone else to run the software and data for us.

We have prepared a Cabinet submission and I understand the decision will be announced at mini-budget time. I also note the Attorney-General for the NT has commenced an audit into AMS focusing on lessons learnt. Our health check review is looking at options to go forward.
The additional capital request to Cabinet is $22.2m, and the additional recurrent request is $17.3m. That would be at the upper limit, so up to those figures.

Subject to that approval, we will have a new governance arrangement with a ministerial oversight committee offline recovery team. We will keep our help desk and business as usual and system administration to do the day to day running as we fix part of it in parallel. We will heighten our risk management based on the learnings to date. We will continue to seek and recover damages under the contract from the system integrator. We have sought legal advice and there are some letters going backwards and forwards at the moment.

Learnings to date: user acceptance testing and early business engagement are probably the main issues. Data quality - we ended up with SAP as a tier 1 solution as opposed to tier 2 when we went to market right at the start, and staging of go live may have eased some pains.

In quick summary, the SAP is a robust platform so our AMS can work. The technology platform is good and has worked. Implementation is progressing and, for your information, we paid approximately 81 000 invoices totalling $537m since the go live date in April, demonstrating the system is working to a large extent and, positively, our users are optimistic that AMS will meet their needs. Thank you.

Mr CHAIRMAN: I might start off the questions. When you say it is a robust platform, are there any implementation problems currently with the SAP system? When you say it is a robust platform and it is implemented, are there any issues with it at this stage?

Mr WAGNER: Yes, there is a series of small issues. Some relate to the portal with Housing and some relate to improvement of the implementation since the Go Live.

Mr CHAIRMAN: Any idea when those issues may be resolved?

Mr WAGNER: Perhaps I could refer to Cate Lawrence for that detail.

Ms LAWRENCE: The portal issue was initially a speed issue. The portal outside the NTG firewall was about 20 times slower than using the portal inside the firewall. We fixed that within the first six weeks of go live and that is now at an equal speed to inside the firewall. The other issues are that the legacy system enabled contractors for housing to do much more than AMS, so we have being doing activities to ensure the portals are able to do the same activities as they did in the legacy system. Most of it will be complete by the end of this week. The vacates will be implemented in January.

Mr CHAIRMAN: What was the second issue you raised, Mr Wagner? You said there were a couple of issues in relation to the implementation of the SAP platform? The housing portal was one

Mr WAGNER: The next major one - there was a series of small ones, but the next major one is the processing methodology for the payments to go through the system. It currently takes about four minutes to process one of those payments I referred to and we would like to get that down for efficiencies. It does work, but it is an improvement.

Ms FINOCCHIARO: Can I clarify a point, Cate? Did you say the old system is the legacy system, and it had more functions then the new system?

Ms LAWRENCE: For the housing contractors - the housing contractors access the system and do their paperwork inside the system. They retrieve their work orders and submit their invoices in the system. Contractors for the Department of Infrastructure do not; they receive their work orders by fax, e-mail, or whatever, and then proceed.

Ms FINOCCHIARO: Is it a design flaw of Futjitsu or was it not …

Ms LAWRENCE: It was not in the initial scope and when we looked at it we had to build it. We built it quite quickly just before go live.
Mr WOOD: Can I get a summary of how much it has cost? You mentioned two figures towards the end and I was not sure - you mentioned $22m and $17m. What is the total cost, to date, of this program?

Mr WAGNER: Member for Nelson, the current approved budget is $30.2m and the actual costs are in the order of $28.2m. We have asked for an additional budget of $22.2m and $17.3m - capital was $22.2m and recurrent, which is Cate's team, and running of the system is $17.3m.

Mr CHAIRMAN: That is per annum?

Mr WAGNER: No, that is over the forward estimates period.

Mr GUNNER: You might not be able to comment on this in much detail yet, but could you provide us with some more detail about where you are at in negotiations with Futjitsu around costs?

Mr WAGNER: Yes, broadly we are following the contract as we are required to. We sought legal advice and we have sent them a letter of demand. A meeting is scheduled this week with Futjisu to commence formal discussions about our concerns. Clearly, they will have a position that it is all someone else's fault and we need to go down that formal contractual path.

Mr GUNNER: At the moment there is, essentially, a caveat on the issue of cost because we are going to be in a process of …

Mr WAGNER: Yes. I probably should have said that, thank you. The final cost will be subject to recovery of damages and we hold a retention as per the contract for ensuring they do what they have been asked to do. That is in the order of $1.3m.

Mr WOOD: The original cost was $14m?

Mr WAGNER: Correct.

Mr WOOD: Am I right in saying the final cost will be about $67m?

Mr WAGNER: Yes, in that order.

Mr CHAIRMAN: On that question - $28.2m, $22.2m and $17.3m is $67.7m. Is that the total cost estimate at this point? That is not given we might get some money back from Futijsu if we are lucky.

Mr WAGNER: Sorry, I will go through the figures one more time.

Mr CHAIRMAN: The $28.2m.

Mr WAGNER: The $28.2m is the actual costs as of the end of August. The current approved budget is $30.2m, and we are seeking an additional $22.2m for capital and $17.3 for recurrent. That should take it towards the $70m.

Mr GUNNER: The recurrent, you would have had to accept that in some stage anyway. That is what the system is going to cost to run each and every year. At some point you will have to pay a recurrent on this system. Is that in the ball park of what you are projecting the recurrent will be?

Mr WAGNER: My recollection is that $4.2m was the projected recurrent.

Mr GUNNER: So that has gone from $4.2m up to?

Mr WAGNER: Approximately $7m dollars a year.

Mr GUNNER: Seven.

Mr WAGNER: $17.3m over four years. I think your point is valid that we would always have to do help desk systems administration etcetera through Cate's team to make the system work on an ongoing basis.

Mr GUNNER: So just to clarify; $17m over four years, did you say?

Mr WAGNER: Yes. Over the forward estimates period.

Mr GUNNER: So it is not $17m a year for four years.

Mr WAGNER: No.

Mr GUNNER: So it is $17m over the four.

Mr WAGNER: Over the forward estimates period, yes.

Mr GUNNER: So that is similar to what you were projecting the recurrent was going to be which was $4m.

Ms LAWRENCE: It was $4.2m.

Mr LAWRENCE: Yes.

Mr CHAIRMAN One of the issues that first came to the public attention following the commencement of the new system was the problem of paying businesses that provided the government. You say there are only four that have not been paid?

Mr WAGNER: That were directly related to the AMS problems, where we had that suspense account issue. I am aware there are a lot of other payments that have been late and there has been a lot of media about that issue, but I think that if you unpack each one of those, as we have, it relates to a dispute under the contract about work completed. It could be a claim that is being assessed or it could be poor quality work. We have approximately 3000 active projects at any time and the contractors need to have that work certified. So they might claim that it is outstanding but, in fact, we would pay what is due.

Mr CHAIRMAN ?: Do you see those problems being fixed?

Mr WAGNER: Yes, those problems have largely been fixed. We have a manual intervention until the system fix which, as I mentioned, is due this week or next week.

Mr CHAIRMAN: Excellent!

Mr WOOD: What is the guarantee period in which this will all work? One year, two years?

Mr WAGNER: The independent review, member for Nelson, indicated that this would be a great system for ten years and more.

Mr WOOD: So is the company guaranteeing that? Like, you know, to do road works you get two years in which you have to fix any problems. Are there the same requirements for this?

Mr WAGNER: I think that is a defects liability type question and I will leave that to Contracts.

Ms LAWRENCE: That is 121 days.

Mr WOOD: That is half a year. So not as good as road works. For something that will cost us over around $70m do you think that is a sufficient time period for such an expensive program to be covered by such a short period of no break-downs?

Mr WAGNER: We would certainly understand if there were going to be major problems in that initial period, member for Nelson, and I guess that is a balance of risk against the cost that we would be incurring by asking them to guarantee that for a longer period of time.

Mr WOOD: Something you would do with a $67m road.

Mr WAGNER: Yes. That is something.

Mr WOOD: I think I would have more faith in the road than I would in some of this stuff. That is my layman's term on some of this. Anyway, thank you.

Mr CHAIRMAN?: Mr Wagner, the delayed implementation and the problems with its eventual operation would have caused some additional costs, and given the original budget of $30.2m and $67.7m, obviously considerable cost overruns. We have had to maintain two systems there for a while and inefficiency due to the lack of functionality and the diversions of resources to fix and work around the problems. Are you able to describe the main costs to government that are a consequence of the problems with the implementation issues? How much of this extra money do we put down to the problem of the implementation and Fujitsu's problem and how much is the add-ons and the extras and variations. Do you have idea of what amounts you can attribute to those things?

Mr WAGNER: Yes, we are working through those sorts of issues at the moment but by way of example …

Mr CHAIRMAN?: We do not need down to how many cents, just rough figures.

Mr WAGNER: We pay approximately $1m per year to keep the legacy systems open and active and we still refer back to those. So we have not shut those down, given we have some of those issues I have described. Cate's team for the systems administration helpdesk was in the order of $4m a year and my recollection of the figure was $1.5m a month to keep the project ticking over. Now your question is what proportion of that can we attribute to the system integrator Fujitsu? We are working through exactly what that would be.

Mr CHAIRMAN: Are those the sorts of discussions you are having next week, as to who owes who what?

Mr WAGNER: Yes

Mr CHAIRMAN Excellent! It would appear next week you might have a dollar figure a dollar figure. Perhaps in the future we could ask you.

Mr WAGNER: Yes, member for Sanderson, it might take a little while to complete this negotiation. Fujitsu is a large company and will be wanting to talk to us at some level of detail.

Mr CHAIRMAN: Back in February 2011, a report of the Auditor-General noted problems with the planning and management of this project. Can you enlighten us as to what is being done to identify the mistakes made in the planning and management of this project and development of guidance for future projects that can not only be used by the Department of Infrastructure, but other government departments?

Mr WAGNER: We received the Auditor-General's report and have acted on the recommendations specifically relating to this project. I did not bring the list of those, but increasing resources for the project team was one of the recommendations, changing the governance. We have acted on all the recommendations in that report. There was a comment about the business dimension which we are working through in relation to cost benefit at the moment.

Mr GUNNER: We have the Auditor-General here so I was wondering if we could bring him back to the table.

Mr CHAIRMAN: Do you want to ask him some questions?
Mr GUNNER: I was going to ask him where he is going to go to from here.

Mr CHAIRMAN: Mr McGuiness, would you like to join us, please? Mr McGuiness could you enlighten us as to how you might ...

[Editor's note: Due to technical difficulties no sound for five seconds]

Mr CHAIRMAN: ... issues around this manner as to how we might utilise the lessons here?

Mr McGUINESS: Mr Chairman and members, I have just started a post-implementation review of the AMS development and am hoping - auditing is the old joke about bayoneting the wounded after the battle is over, but it is really starting from the point of what did the government approve, what has been delivered and, to the extent there is a gap, what happened in the meantime. Out of that, we would hope to be able to say, 'Look, here are a number of key criteria which future systems, planners and developers should adhere to.'

I am hoping the review - the field work - will be done in a fortnight and I can then include it in my next report to the Assembly. Going forward from there is getting other departments, whether it be Treasury now it has taken over some of the old DBE functions, to begin to see how any lessons which we are able to draw from this can be formalised or incorporated into other planning documents.

Mr GUNNER: Some of your recommendations go to the initial contracting arrangement or the process to get Fujitsu on board, what Fujitsu said they could do, what they did not do. Will it go into how that very initial process ...

Mr McGUINESS: The review has to touch on the role of Fujitsu and what it has or has not done. To that extent, there can be some lessons drawn from next time, as there will be, a major IT system development - the terms under which third parties are engaged, what the contract details should have in them to be able to hold them to account. The experience with the third parties has not been entirely happy and, as I mentioned to the committee earlier this morning, there is another project with the same prime contractor which is also encountering problems but, fortunately, it was smaller and perhaps not quite as risky as AMS.

Mr GUNNER: For clarification, by third party you mean people Fujitsu asked to come onto the project to work, and then a greater level of control or authority to the department to be able to accept that.

Mr McGUINESS: It goes right back to the government's arrangements of how the - if you look at Fujitsu it, in turn, has subcontracted to others to do much of the footwork and it is really the government's - how these people are contracted, how they are monitored, how they are held to account. I am unsure if there is a set piece - we can issue something which says, 'thou shalt do this', but each project is different. There may be principles we can reinforce and I suspect many of the principles are already well-documented in project management literature. It is bringing those to the fore and seeing whether we can have them enshrined.

Mr WOOD: Fujitsu has used Tubby Taylor to advertise air conditioners. Is Fujitsu an IT company or is it a company which manages IT work and asks third parties to do it?

Mr GUNNER: Are you suggesting, member for Nelson, we second Mark Taylor to the bench?

Mr WAGNER: Member for Nelson, perhaps I could have a go. I did ask that question, in a jovial way, and they are separate companies - the air conditioning group from the IT group. The IT group is a large tier 1 group and seeks all business to implement these types of systems across Australia, and the world for that matter.

Ms FINOCCHIARO: Alan, do you guys have any advice at this stage on the quantum of your damages? The letter of demand usually says, 'We hereby demand you pay X'. Is there a number or not?

Ms LAWRENCE: Yet to be defined.
Mr CHAIRMAN: Can I also assume, as Mr McGuiness alluded, that Fujitsu might not be very happy and these will be reasonably protected discussions? Any idea how long it might take because I am wondering when we might ask for a progress report.

Ms FINOCCHIARO: In my legal experience, yes.

Mr WAGNER: That is – the potential ...

Ms FINOCCHIARO: Do we have any other contracts with Fujitsu? Any other government ongoing at the moment?

Mr WAGNER: Not with my department.

Mr McGUINESS: There is one through the Department of Health which was for the development of the grants management system. That was another case where Fujitsu was a lead contractor but had engaged a subcontractor in Hobart. As I mentioned to you earlier, the relationship between Fujitsu and the subcontractor was strained. Both were talking different languages. Fujitsu was talking what is called system development lifecycle, whereas the subcontractor was talking prototyping. They are quite different methodologies and there is no meeting of the minds.

That project was looking very shaky and an audit came along probably late in the piece, but it was a chance to give the department a set of recommendations to try to get all three parties back on track and, hopefully, the project could be recovered and move forward to a successful outcome.

That is a much more confined project than AMS. The effect is only on Health, although it does affect NGOs and other bodies downstream. In the case of AMS, it affects almost every agency in government.

Ms FINOCCHIARO: Who negotiates that contract on behalf of government? Is that you, Alan, as CEO, or do you go in with your legal people?

Mr WAGNER: Yes, we have an in-house lawyer who we sought advice from. That person is seeking advice from DoJ. I act as a principal under the contract, effectively, so it would normally be myself and broader as necessary.

Mr CHAIRMAN: One final matter I would like to discuss is the geographical information system. Where is the implementation of that system component of the project up to and when will it go live?

Mr WAGNER: Member for Sanderson, I mentioned in my opening address that phase 2 will be completed very soon. We will hold the go live - it is due mid-December - until we are happy with the phase 1 implementation. The GIS part is in phase 2.

Mr CHAIRMAN: So I get this right and there is no confusion, we have the SAP, the GIS and the GAS, is that right?

Mr WAGNER: Yes, many acronyms in IT.

Mr CHAIRMAN: There are some members of the public here, for their information could you describe what those three acronyms are?

Mr WAGNER: The GAS is the government accounting system, a discrete stand-alone system managed through Treasury. AMS is our asset management system under SAP. SAP is a brand name, so asset management system has a platform of SAP so it is a technology platform.

What was the last one sorry?

Mr CHAIRMAN: GIS.

Mr WAGNER: GIS is a geographical information system.
Mr CHAIRMAN: What does that do?

Mr WAGNER: Perhaps I could ask Cate to explain.

Ms LAWRENCE: It is a bit like Google, but it is Google with a specialty for Northern Territory assets. When our assets are applied to the Google map we can get information about how many health clinics we have in the Central Australian region, how much we have spent on roads in the member for Nelson's electorate, or any information we require based on the map.

Mr CHAIRMAN: Or anything the member for Nelson wants.

Mr WOOD: You should be able to overlay maps --your waterlogging maps over contours over roads over cadastrals.

Mr CHAIRMAN: Any further questions at this point in time?

Ms FINOCCHIARO: I imagine before you guys entered into the negotiations about developing this system there was a reason for it. As opposed to nine individual mechanisms clunking away you have one streamlined. Do you have any idea on the efficiencies - we were talking about KPIs earlier - what is your KPI on whether or not this is working? Is it more cost effective, taking aside how much it is costing us operationally, or is it just faster, better to use, less staff having to administer less systems?

Mr WAGNER: There are two dimensions. The efficiency of the operation is one of them. Improved asset management is the second primary reason we are doing this project so we can manage the large value asset base of the Northern Territory government at a more efficient and broader level so we can increase useful life and reduce maintenance expenditure etcetera. It is doing it in an organised, professional way rather than a more clunky way, as it was previously.

Mr CHAIRMAN: Mr Wagner, Miss Lawrence and Mr McGuiness, thank you very much for your time today. That concludes the session for the time being. I am sure we will be interested to chat in the future in relation to how negotiations are going with Fujitsu.

Department of Housing
Mr John Baskerville, Chief Executive
Ms Mychelle Curran, Deputy Chief Executive, Urban Housing
Mr Frank McGuiness, Auditor-General

Hearing commenced at 1.20pm

Mr CHAIRMAN: On behalf of the committee I welcome everyone to this public hearing into the Asset Management System. I welcome to the table to give evidence to the committee Mr John Baskerville, Chief Executive of the Department of Housing, and Miss Mychelle Curran, Deputy Chief Executive, Urban Housing. We appreciate you taking the time to speak to the committee and look forward to hearing from you today

This is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. A transcript will be made for the use of the committee and may be put on the committee's website. If at any time during the hearing you are concerned what you will say should not be made public you may ask the committee to go into a closed session and take your evidence in private.

I will ask each witness to state their name for the record and the capacity in which they appear. I would then ask you to make a brief opening statement before proceeding to the committee's question.

Mr Baskerville and Ms Curran, could you please state your full name and the capacity in which you are appearing.

Mr BASKERVILLE: John Baskerville, Chief Executive of Housing.

Ms CURRAN: Mychelle Curran, Deputy Chief Executive Urban Housing.

Mr CHAIRMAN: Mr Baskerville, would you like to make an opening statement?

Mr BASKERVILLE: Thank you for asking me to attend today's hearing to speak about the impact the implementation of the Asset Management system has had on the Housing department's business operation. I fully support the need for Northern Territory government agencies to have an IT system in place which assists us to move from reactive maintenance approaches to a whole-of-life asset management model which will, ultimately, save time and money by supporting the implementation of proactive planned and cyclic maintenance and upgrade models.

I am advised the Asset Management System went live on 18 April 2012, some five years after the initial approval for the project. I understand at the start of April, shortly before going live, the CE of the former Department of Housing, Local Government and Regional Services asked if the implementation could be delayed until May as there were a number of unresolved issues for our department. The request was declined and it was agreed the go live would be at precisely 10:56 pm on Tuesday, 17 April 2012. A few hours before the system went live Department of Housing, Local Government and Regional Services staff advised that three of the four critical issues for the department had been resolved and the fourth was having its final fix and would take place in the morning. Around 100 additional post-go live fixes were prioritised to be addressed over the following days, weeks and months.

Do not get me wrong, it is inevitable issues will occur immediately after implementing any new IT system. Indeed, this department had anticipated some of the problems and potential delays in paying contractors and notified them this would occur.

I am not saying all the issues are DoI issues. I do not know how much participation of client agencies was encouraged, but I understand the Department of Housing may have taken a hands-off approach and not paid sufficient attention to the project until mid 2011.

However, at this stage there was still sufficient time to get more things right before it went live. Throughout April and May 2012 the department encountered a number of issues with the AMS

implementation critically affecting our business, and key time frames for fixes to be completed were not being met.

It is now some seven months after the implementation and a long list of issues are continuing to adversely impact on the department's ability to effectively manage its assets and, importantly, provide quality service to our clients. I will ask Mychelle to explain more detail of that later on.

Of particular concern to me is we are unable to obtain contractor performance data, including outstanding order reports, which means often we do not know whether works have been completed until the tenants ring us and tell us there is a problem or complain to us. The Department of Housing is unable to run repairs and maintenance program commitments and expenditure reports to accurately report on and monitor progress against budget, and requires AMS team intervention to get what should be basic information for an asset manager. Up to three reports need to be run and manipulated to extract all the relevant data for expenditure and commitment against the projects.

We have contractors who have lost confidence in the AMS system and do not want to use the system until they are certain all functions are operating effectively. This is a backward step for us. Previously, our contractors were inputting the information into the Asset Information System, but we are now doing this manually for them. We also had to bring in additional resources to help with some reconciliation of invoices and payments as AMS does not have the capacity to record contractors' invoices reference details.

That is my statement.

Mr CHAIRMAN: Sorry, I am making many notes.

Mr BASKERVILLE: Yes, I will give you my – you can have the …

Mr CHAIRMAN: It would be very handy if you could provide us with a copy of that report.

Mr B**ASKERVILLE:** Okay.

Mr CHAIRMAN: Ms Curran would you like to ...

Ms CURRAN: There were a number of issues we encountered in the early stages of implementation. There were data migration issues, which included incorrect capital works, minor new works and repairs and maintenance program level details. There were issues around how GST is reflected in projects. We have housing contractors who are unable to generate vacate work orders, variations, or invoicing through the system. As Mr Baskerville noted, that is a backward step for us because our contractors were doing that work for us previously in the former Asset Information System.

Some of the data migration quality issues have also had an impact in our Tenancy Management System which is where we manage our tenancies. Some information translates into our Tenancy Management System so information we provide to tenants on where works are up to or what is occurring in a tenancy - it has been difficult for us to get hold of that type of information.

There have certainly been issues around the recipient tax invoices and remittance advices. There were some payments to contractors that failed in the early stages and Mr Wagner referred to those. At one point we had some difficulty in making payments and made some desk payments and then had to go back and reconcile those payments with contractors.

That said, we have worked with the Department of Infrastructure to resolve a number of issues. However, there are a number of things that still need fixes at the moment, but are being worked through and we are expecting that we will have resolution of within the next few weeks. That includes the repairs and maintenance reporting. We expect we will be able to get that more effectively by the end of this month, early next month. Some enhancements on invoice documentation we are expecting are imminent.

We are starting to get better information around contractor performance reporting although we still have much work to do around that. One of the big things for us is that Housing works are quite high volume low cost. We manage our business in a very different way to a major capital project. Some of the difficulties our contractors have encountered in entering information into the system and the slowness of the system have resulted in a couple of them wanting to charge us for additional administration costs in putting information in and making changes in the system. That is an unintended consequence of a system that operates a little more slowly.

I understand there is nearly a fix in place for that which will about halve the time it has currently been taking to put invoice information in. That is a significant improvement.

Mr CHAIRMAN: I do not need to be a rocket scientist to state there are some major issues for Housing in relation to this project. .

Mr BASKERVILLE: Very hard to run a business with a system like that.

Mr CHAIRMAN: I detect the polite frustration in both your opening statements.

Mr BASKERVILLE: There is.

Mr CHAIRMAN: It must be very difficult. Our job is to find out where we are at and what recommendations this committee can make to improve the system. We really appreciate your openness in relation to what is happening and your contribution to solutions.

I would like now to open up to questions from members of the committee.

Ms FINOCCHIARO: I am struggling with the design problem. There seems to be some inherent flaws in the design in that much of its capability is not even as good as what was pre-existing even though it is streamlined, uniform and things like that. Is that because as you said, John, Housing was a little hands-off until 2011? Perhaps they did not contribute to what this thing needs to look like and do, or is it there was no talking between departments?

Mr BASKERVILLE: I was not here at the time so Mychelle might be able to field that.

Ms CURRAN: There could be a bit of both in that. In the early stages I suspect our department may not have been as involved in the blueprint and scoping as it could have. However, there were a number of issues we raised over the months before implementation which perhaps could and should have been in place before we went live. We may well have been able to stage that through modules, but not being an SAP expert, I am unsure whether you can implement that system in modules.

In saying this system is not as good as the old system, if it was working with its full functionality it would be a good system. The previous Asset Information System was not one where you could plan your future maintenance works. It did not have good information about the condition of your assets or the level of work you had undertaken on them. Once AMS is up and running it will be a good system. To that degree, getting it working for us will be really important because it will enable us to move to a planned maintenance environment.

Mr GUNNER: Were you ever asked, as a client, what functionality you needed or wanted? Did the prime agency ever ask what you needed?

Ms CURRAN: I was not here in the blueprint stages but, yes, there have been discussions around our needs. I am unsure if there has always been an understanding of how we operate our business and some of that was planned to implement post go live, which is probably what has proven difficult for us.

Mr GUNNER: It was a failure to understand rather than a failure to accommodate?

Ms CURRAN: From what I see the accommodation is there, it is just some of it is happening post go live.

Mr GUNNER: How long an opportunity did you get to do any testing before go live?

Ms CURRAN: As John indicated, we were still doing some testing the night before go live.

Ms FINOCCHIARO: The inevitable breakdown in your contractor relationships – what is the real impact for you guys? Have you been able to repair that and say, 'Keep going on', or are they done?

Mr BASKERVILLE: It is still out there but we are working on it, put it that way.

Ms FINOCCHIARO: Are these small businesses or medium businesses?

Mr BASKERVILLE: Medium businesses.

Ms FINOCCHIARO: They have had enough?

Mr BASKERVILLE: As you can imagine, with all our assets it is quite a big business.

Mr CHAIRMAN: In relation to the prime contractor, Fujitsu, Mychelle do you feel there was sufficient consultation?

Ms CURRAN: I have not had any contact with Fujitsu. I understand it was part of the steering committee; however, consultation with the business was, unfortunately, prior to my time with the agency so I am unsure of the level of consultation. It was attending steering committee meetings and hearing some of the issues being raised by agencies.

Ms LEE: My question relates to remote housing. The Department of Housing has taken over from the shires. Have your staff been trained, in regard to the new system, on getting contractors doing the jobs in the community through the department?

Ms CURRAN: There has been training for staff on the ground. Part of the issue is we do not have full functionality as yet; however, the way we manage contracts in remote communities through the shires is we are inputting a lot of data into the Asset Management System and issuing the work ourselves through to shires. We have adopted a slightly different approach to what we would have used in an urban housing setting to roll this out. The intent is shires, or whoever is our contract, will, ultimately, be able to input works and input variations into the system for us to then put our normal audit process over the top. Over time, it should work the same for urban and remote.

Ms FINOCCHIARO: Because you have had to channel resources into doing the administrative work to compensate for the failure in the system, has that pulled staff away from what we like to call 'frontline services' or were those people fulfilling that type of role anyway and it has not majorly impacted on the delivery of your business?

Ms CURRAN: There are some resources we have had to pull off normal functions. They were not frontline staff; they were staff who worked in our assets area. However, much of the manual data inputting - the Department of Infrastructure has provided resources to us to enable those works to be undertaken. It has paid for some additional administrative staff to do data input.

Mr CHAIRMAN: The other bit which interests me is this reverse charging - contractors now saying. 'We want some administration fees'. Can you enlighten us as to what is happening there?

Ms CURRAN: We had a meeting with contractors in May when it became obvious the system was working a little more slowly than we would have hoped. We had a number of contractors at that meeting who said, 'This is taking us a lot more time and we could be out doing works for you rather than doing all this data inputting'. There was a discussion at that point about contractors suggesting they may charge us for additional administrative work. Not all of our contractors have done that, only a couple. They are looking at it on an hourly admin type rate. We are carefully looking at each of those requests as they come through. The majority of our contractors have not done that; it has been a very small number.

Ms FINOCCHIARO: That should disappear once the system is fully functional. There should not be an administrative burden?

Ms CURRAN: Our expectation is it should disappear.

Mr CHAIRMAN: There are some obvious cost over-runs in this project - about 100% over and above budget. Are your costs associated with the over-runs included in what the Department of Infrastructure has given us or are they two separate costings?

Ms CURRAN: I would anticipate the administrative resources they are providing to us are probably included in their costings.

Mr CHAIRMAN: Are there any additional costs from the Department of Housing in relation to the issues and problems with the implementation of the AMS?

Ms CURRAN: Only to the extent we have some staff offline from their normal functions, otherwise, no.

Mr CHAIRMAN: That is a cost, obviously. You have staff dedicated to sorting this issue out and that is a cost. Will the Department of Housing be in touch with the Department of Infrastructure in relation - because they are about to talk to Fujitsu and have happy discussions.

Mr BASKERVILLE: You can bet your life.

Mr CHAIRMAN: I was hoping that would be the answer.

Ms FINOCCHIARO: Cate, did you have something to add?

Ms LAWRENCE: Yes, the costs are included in the project costs we gave earlier.

Mr CHAIRMAN: The Department of Housing costings are included in the overall costings we were given earlier - in that $67.7m. Thanks, Cate.

In relation to the data migration that has gone across, you alluded to the fact we have some issues - quite a number of issues were still outstanding post live. How long do you expect it will be before those issues are fixed or is that something like how long is a piece of string?

Ms CURRAN: There are a number of issues we are anticipating will be fixed within the next few week, prior to Christmas. The data quality issues between our Tenancy Management System and Asset Management System we are expecting towards the end of November into December.

We also expect our contractors will be able to resume putting some invoices into the system around December. In relation to reporting, we are expecting to start getting better reports out of the business warehouse system in around December as well.

There are issues around contractors entering vacate maintenance works orders and we are anticipating that is about February next year. The issues around GST, the April/June vicinity is the advice we have received from the Department of Infrastructure. A number of those matters are in testing at the moment and are looking very promising.

Mr CHAIRMAN: Can I say that at the end of the current financial year you should be in much better shape to deal with many of the issues that are obviously apparent now? Do we anticipate anything after the end of the financial year?

Ms CURRAN: I am unsure at this point.

Mr CHAIRMAN: That depends on numerous other issues happening?

Mr BASKERVILLE: A great concern really. I hope we get it right.

Ms FINOCCHIARO: I imagine now there is much more collaboration surrounding the project between departments. You guys have open lines of communication and are working to resolve it as opposed to ...

Mr BASKERVILLE: From my point of view I have insisted on that.

Mr GUNNER: A question for Frank if he could come back up?

Mr CHAIRMAN: Mr McGuiness, could you rejoin us please?

Mr GUNNER: As part of your third audit into this - the next one is about lessons learnt. Will you also look at better, clearer communication between departments at an earlier stage to fully establish what a department needs? Is there …

Mr McGUINESS: That is probably almost certainly included, Mr Chairman, because in any systems designed - it is user requirements and functionality at the start because that then drives your system design going forward.

If there is any breakdown at that process in having a clear understanding about what the system is required to do, if that is flawed, then the design itself will be sub-optimal and you will have, at the end of the day, a system that is not delivering what people expect and a whole large group of unhappy users.

Mr CHAIRMAN: That would include the poor old public servants, the contractors, and anyone else who uses it, and tenants. Generally, this is an across the board issue.

Mr McGUINESS: It is.

Mr GUNNER: Going back – we do not have this in front of us, we have moved on a bit from the first few times the PAC has heard this, but was it clearly identified right at the very start between DCI and Fujitsu who was the client of the system and the need to work out what they wanted? Was that captured at the start? Obviously, DCI and Fujitsu had an arrangement, but as part of Fujitsu coming on board, was it clearly worded right then who and what was needed and who was going to be doing the scoping?

Mr McGUINESS: The Department of Infrastructure, as I see it, would have had prime responsibility to work out the users, the information requirements, the data coming into the system, the information flowing out, and from there Fujitsu had to pick up the blueprints - how the system would be designed to deliver what the customer wanted.

Mr GUNNER: Did Fujitsu walk in thinking, DCI is our client and our only client, or did they walk in knowing DCI might be the prime agency but there were a number of …

Mr McGUINESS: I cannot answer that one at this stage. It is something that will, hopefully, come out during the post-implementation review.

Mr CHAIRMAN: Ladies and gentlemen, thank you very much for you time today. I am sure we will meet again soon. We all have a great interest in this matter and hope it is resolved quickly. Is there any other business?

Mr McGuiness, would you be available next Tuesday, if necessary?

Mr McGUINESS: If the committee requires, Mr Chairman, the Auditor-General will be available.

Mr STYLES: We will work it out because there are a number of issues we want to progress in relation to your report. Can we get back to you on that? I will discuss it with the others and get back to you.

If there is no further business I declare the meeting closed. I thank all the members of the public who attended. I hope you found it interesting and stimulating.