Chair

Public Accounts Committee
GPO Box 3721
DARWIN NT 0801

**Re: Inquiry into the Management of ICT Projects**

Thank you for your invitation of February 18th 2014, offering ICS Multimedia the opportunity to appear before the Northern Territory's Public Accounts Committee on 7th March 2014. Thank you also for the offer to receive a written submission from ICS before 3rd March 2014.

ICS gratefully accepts the offer to appear and to provide this written submission.

1. About ICS and Grants-Tracker

ICS is a successful Australian software company and is the supplier of a software product known as Grants-Tracker. Grants-Tracker is an end-to-end Grant Management system which automates all workflow, documents and processes associated with the management of a grant.

Grants-Tracker has been successfully implemented and is in use delivering grant programs for Government customers across Australia, Singapore and New Zealand. In the Northern Territory, Grants-Tracker has been in use since March 2012 and is currently used by the Department of Sport, Recreation and Racing, Arts NT, Department of Lands, Planning and the Environment and NT EPA.

The value of Grants-Tracker to the NT Government was demonstrated with the launch of the Sports Voucher Scheme. Processes for management of Sports Vouchers were made available in Grants-Tracker within 6 weeks of the announcement of the scheme by the Minister.

Further value was demonstrated when Grants-Tracker was part of a submission for the NT Chief Minister's Award by the Department of Sport, Recreation and Racing in 2013. The submission was called "Grants Tracker - Improving Efficiency and Accessibility of Government Grant Distribution".

ICS uses experienced Project Managers who also hold the globally recognised Project Management Professional certification issued by the Project Management Institute and uses a Project Management Methodology based on PRINCE2

2. ICS Involvement with the Department of Health Grants Management System project

The Committee is aware that ICS was previously sub-contracted by Fujitsu to provide Grants-Tracker as the Grants Management System for the Department of Health. The Committee is also aware that, part way through that project, a decision was taken that instead of using Grants-Tracker Fujitsu would custom build the Grants Management System.

ICS firmly believes that if the approach of using Grants-Tracker had continued, it would have resulted in earlier implementation, lower project cost and overall greater benefit to the Department of Health and the NGO's and people of the Northern Territory.

Grants-Tracker for the Department of Health would have seen a first phase in operation in 2012 and the project completed in the first half of 2013.

3. Mentions of ICS

During the removal of ICS from the project, and afterwards, various unilateral claims were made about ICS and the product.   ICS welcomes the opportunity to reply offered as part of this submission.

ICS understands that in non-trivial projects such as this, which involve multiple organisations – both government and private sector, multiple levels of management, a highly competitive market place, a level of competition between the non-government organisations, a somewhat high-stress environment, and strong natural incentives and disincentives for many of the individuals involved; that such a situation may not necessarily encourage open and constructive discussion, and perhaps replace it with a tendency for individuals to apportion blame away from themselves or their organisation, even in situations where there should be low blame or no blame involved.

ICS believes that such a situation was at play throughout this project and afterward, and thus, for now, is prepared to step over many of the claims, with the exception of several statements which it will address later in this submission.

4. Suggestions for Improvement

However, it is ICS' view that the disincentives and miscommunications, mentioned above, arose from an environment within the Department which did indeed contribute to the problems with the project, and the (incorrect) removal of ICS.   As such ICS is pleased to be able to provide its view of the project with the goal of contributing to the improvement of IT processes in NTG, and as a secondary goal, to address certain misconceptions about ICS's involvement.

ICS had a firsthand view of the Grants Management System project as a sub-contractor supplying the major enabling product which formed the major part of the contract outcomes.

ICS suggests several areas for improvement, all of which stem from a lack of proper understanding of IT projects within the Department.

From the beginning of the project it became clear that the management of the grants agency within the Department had very little experience with the uptake of major mission-critical IT systems.   But at the same time the senior manager used a very dominant and abrasive managerial style.   The combination of these factors manifested themselves in several ways:

### 4. 1 An abrasive 'just make it work' attitude

The Department had an abrasive 'just make it work' attitude, rather than attempting to understand the specific issues involved.   This also involved the strong dis-incentive of the threat of 'terminating' the project, which was mentioned often and repeatedly in the early stages of the project.   This seemed to be more part of the abrasive managerial style than for any real reason at this stage.

We would note that for any commercially competitive company, such as ICS (and we would suggest, Fujitsu), such an outcome is considered totally unacceptable, and is to be avoided at all costs.    In this way, it may appear an effective strategy; however, such a threat provided a large amount of negativity early in the project and something of a barrier to open discussion with the Department.  This resulted in an atmosphere where real problems were not encouraged to be tabled.   Even problems which were of the Departments own creation, as mentioned in the next point.

### 4. 2 Failure by the Department to understand and provide industry-standard inputs as agreed

This was a key issue in the early stages of the project.

In any IT project, before any IT system may be produced there are several stages of analysis and design which must be completed.   These are not always performed by the final vendor or in the main contract, and may be performed by various contractors in the lead up to the main project.

In this project the Department indicated that the first stage had already been completed, and that the results would be provided.   However, the results provided were very rudimentary indeed.   So much so that Fujitsu and ICS agreed that Fujitsu would perform this stage to ensure the success of the project.

To this end, the project schedule was modified to provide a very brief period for this stage to be performed.   However, due to the insistent nature of the steering committee, and their insistence on the original timeframe, this new stage in the project was kept as brief as possible – being one month.

4.3 Lack of understanding or participation by the Department in managing project changes

The consequences of the lack of original inputs, and the knock-on incidents in the project were managed in the same insular way.

As it happened, the new analysis stage took 3 months instead of the scheduled one month, and for reasons unknown to ICS, the end date of the project was not moved to correspond. However it was later observed by ICS in future stages, that the Department was still very insistent on the original schedule, and still threatening the termination of the project.

This overrun had a significant effect on ICS' involvement.   It was ICS' task to take the outputs from this stage and use them as inputs for its next stage of design.   However, it was further observed that there were many inconsistencies in these inputs, so much so that many queries had to be made of the Department to obtain complete results.   The turn-around time of these queries (working via Fujitsu to amend their document) was observed to be very long, so much so that ICS did not have sufficient information to well-complete its stage of the project on time either.

At this point, a planned presentation by ICS to the Department, in which ICS was originally to present the results of its design stage,  was decided (by ICS and Fujitsu)  to be re-purposed, so that ICS could utilise the contact time with the Department to address its remaining questions directly with the Department.   This re-purposed meeting did take place, and was very successful with its repurposed goals.

It is worth noting here that, at future stages of the project, the reasons for this re-purposing had been forgotten by the Department, and was used repeatedly as evidence that ICS had failed to deliver its stage on time.

In further managing the overruns involved, ICS requested an extension of the project be tabled so that it would have sufficient time to complete its stages in the latter part of the project.   It was at this point that Fujitsu mentioned to ICS that it was reluctant to further pursue extensions to the schedule with the Department due to the continued threat of failure of the project.

ICS was strongly encouraged by Fujitsu to re-double its efforts and complete the remaining stages in the time available.   ICS had many discussions with Fujitsu over this matter, as well as requesting direct participation with the Department in order to attempt to help with their understanding of the issues involved, however, it was decided in the end that the best outcome would be achieved if ICS increased its effort.   At this time ICS asked its staff to put in an effort well beyond the call of duty, which they willingly did.

ICS notes that under these circumstances its staff put in something of a heroic effort, but did in fact miss the (impossible) deadline, and at the point of being asked to stop work was only about 3 weeks away from completion of the agreed stage, an insignificant time in the overall project, and a trivial time considering that the project remains ongoing in 2014 more than a year and a half later.

4.4 Failure to understand the difference between a 'build from scratch' system and a 'product'.

Grants-Tracker is a 'product'.   It already existed before the NT Health project, and continues to be rolled out in successful projects.   It has specific ways to perform all of the functions necessary for grant management, and deal with the intricate requirements of the web-environment.

Unfortunately, the Department did not seem to understand the concept of a 'product', and considered the project to be a 'build from scratch', with an unrestricted approach to the minutiae of functionality.   This then led the Department to have many requirements which were at odds with the well-matured behaviour of the product, in most cases where the same end functionality was easily achieved with existing Grants-Tracker features. In other cases, purely cosmetic changes were requested which were considered unsuitable and high-risk in the 'web' environment.

A metaphor for this would be purchasing a production car from a local company and then insisting that it is a left-hand drive, and that the doors are hinged to open the other way.

ICS's explanations of this, in order to manage risk to the project, have been misrepresented, and have been portrayed to the Committee as refusal by the ICS Directors, and failure of the product to deliver the requirements.

4.5 A tendency to direct blame rather than to seek solutions

The Department's first response to any difficulties encountered during this project was to ensure that they had a party to blame, rather than to seek out a solution.   The obvious and convenient target was ICS, being a sub-contractor who did not have any line of communication with the Department.

The Department was also unable to critically assess the advice that they were receiving from the prime contractor which was a competitive private-sector organisation with very strong incentives to apportion blame away from itself, and who had complete control of the communication channels.

This is at the root of the decision to remove ICS from the project, which has been the subject of some discussion with the Committee.

At this point in the project the DOH took the decision to get rid of the sub-contractor and the existing software product, and instead to commence (what ICS assumes to be) a build from scratch.

ICS considers this to have been an ill-informed and panicked decision, which ignores the advantages and reduced risk of using a pre-existing product, and instead introduces all of the risks associated with a 'build from scratch'.   ICS would further observe that the project is still ongoing over a year and a half later.

5. ICS Response to the public hearing into grants by the Department of Health to NGOs

On 17 December 2012, the Public Accounts Committee held a public hearing into grants by the Department of Health to NGO's. Evidence given at that hearing included discussion of ICS's involvement, as a sub-contractor to Fujitsu, in a project to provide a Grants Management System to the Department of Health. ICS was not invited to attend or provide a submission for that hearing and first became aware that it had taken place after February 18th 2014.

Written submissions made for that enquiry are not easily available so ICS has based this response on the transcript of the evidence provided to that hearing.

Evidence to the Committee in the public hearing on 17 December 2012 included:

> *"**Mr MOO:** The initial approach was to look at one of the systems which was already being used in the Northern Territory, and to try to piggy-back on the use of that system. That was the approach, and the procurement process selected to develop that system.*
> *What happened was, during the course of the project we and Fujitsu came to the conclusion the contractor, which is a company called ICS based in Tasmania, were not going to meet the requirements for the grant system we had specified. There were several high-level meetings to try to get to the bottom to ask whether they were going to be able to deliver. The conclusion both from Fujitsu, who was the contractor, and ourselves, was this company just did not have the resources and the expertise to deliver the type of system we were looking for."*

> *"**Mr MOO:** They could not customise their product to meet our requirements so when we did a detailed gap analysis we went through it and it was going to fall well short of what we needed, so it was the capability of their product to meet our requirements. Even with significant development the assessment was it still was not going to meet our requirements"*

Throughout the project, ICS was confident that Grants-Tracker would meet the complex needs of the Department. When Fujitsu ended ICS's involvement in the Project, the first phase was less than 3 weeks away from entering user testing.

Fujitsu terminated its common law contract with ICS on 9th August 2012. A consequence of this was that ICS was free to contact the Department directly. The information ICS received led ICS to assume, at the time, that the project had been terminated by the Department, and that Fujitsu was no longer contracted to deliver the remaining outcomes.

On 16th August 2012, ICS made a direct offer to the Department to complete the project for a firm price within a confirmed period of time. It was our belief at the time that this would be a reasonable offer which was still within the scope of the unspent money which was yet to be paid in the existing contract. The offer covered requested changes, remaining original deliverables and some tasks originally to be performed by Fujitsu. An extract from this offer is copied here:

> "Given your investment and the progression of the majority of the system to about a 95% current completion, ICS is willing to work directly with DoH to complete the project on a flat rate basis.
>
> ICS offers:
>
> - Completion of Service Agreement Grant Type to Production $17,500 ex GST, 2-3 weeks to UAT; and

- Completion of remaining grant types, including Data Migration, Reports, 2-way GAS interface, Testing, Documentation and first year Support -- $120,000 ex GST, 3 months to UAT.

ICS is aware the NT Government procurement requirements and weightings and is willing to establish a local presence and adhere to them if required.

I will call you to discuss this offer with you -- we are able to provide this as a comprehensive formal quote if required."

The Department did not respond to this offer or return calls from ICS. The evidence to the Committee indicates that the Department subsequently approved a variation to Fujitsu of $235,000.

In further evidence provided on 17 December 2012:

> "***Mr MOO:*** *...They went and spent a couple of weeks down there with ICS in Tasmania and did a very detailed review of their capabilities and functionality. It was after that the decision was made to say that these guys were not going to get there.*"

ICS invested time and effort cooperating enthusiastically with that review. Every indication received from the Department's representative during that visit was that he was satisfied with the capabilities demonstrated by ICS and Grants-Tracker.

This is supported by the evidence of the Auditor-General on 17 December 2012:

> "*This morning's discussion was interesting from my perspective because the jettisoning of ICS is something that has occurred since the audit was undertaken and is particularly interesting given that the project manager at the time, having just returned from Hobart, seemed quite confident that the ICS product could be made to work.*"

## 6. ICS Response to Evidence Provided at the Public Hearing on 9th December 2013

Some of the evidence provided at the public hearing on 9th December 2013 requires a response:

> "***Mr MOO:*** *Yes, we did work and we did have visibility of the NRETAS project as well. We did work with them in the early days to understand what they were doing. We certainly had a belief that the product they were developing and implementing, with customisation, would be suitable for our needs. That certainly was our assessment, and we did have a user group at the time as part of those initial consultations and we felt confident that provided the vendor came to the party, as in the subcontractor in this time, and working under Fujitsu being the primary contractor, we felt that was still a suitable solution to meet our requirements.*
>
> *We felt, at the time, that was a right decision. Unfortunately, once we started to provide our detailed requirements to the vendor and started to work with the vendor in doing the customisation it became very clear into that process they were not prepared to modify their product and do the customisation we required for it to be suitable. This went through quite - we had people in Tasmania - our project manager and business analyst working with their*

*team. It became very clear after a while that they just were not going to deliver to our needs and that was where we had to change plans."*

At no stage was ICS *"not prepared to modify their product and do the customisation we required for it to be suitable"*. ICS did point out some disadvantages of too much customisation, which are summarised below:

- Too much customisation dilutes the benefits of using an off-the-shelf product. One such benefit is that future versions of Grants-Tracker bring additional functions and usability improvements at no, or low, cost. Too much customisation might have meant that future versions of Grants-Tracker would not be compatible with the Department of Health version.

- Customisation takes longer than configuration and introduces significant risk, requiring long testing and fixing stages.

In relation to the former point, ICS pointed out the disadvantages of too much customisation, but remained willing to perform the requested customisation if that was the direction chosen by the Department.

In relation to the latter point, ICS repeats its observation that the project is still running some 19 months later.

ICS takes seriously our professional obligation to give good advice. If an existing Grants-Tracker capability can deliver the required customer function more quickly and at lower cost, but in a slightly different way than the customer first imagines, then ICS will encourage the customer to go the faster, cheaper route.

Further in the evidence is a statement that:

> *"**Madam CHAIR:** ..... the Tasmanian Department of Health had terminated its contract for the grant tracks assistance....."*

ICS is unsure what the primary source for this statement is, but it is clearly implied that the Tasmanian Department of Health has had a negative experience with Grants-Tracker.

In fact, the Tasmanian Department of Health and Human Services (DHHS) contract with ICS ended when all of the contracted services were delivered. An initial implementation of Grants-Tracker was scoped, configured and installed at a low cost. DHHS didn't have budget to proceed with any further work and did not proceed with internal business change that had been planned to align processes and move to using Grants-Tracker.

Furthermore:

> *"**Mr MOO:** Part of the problem was this was a relatively small company. My understanding is the owners of the business were also running the business. Some of the difficulties were trying to negotiate - and I believe it was a mutual problem. I do not believe it was ever an issue with us and Fujitsu. It was always more trying to get the vendor, the contractor, to come to the party.*

*To alleviate some of those communication issues, we took on board to send our project director down there quite often with Fujitsu, so there was that common approach, as opposed to just the Fujitsu person going down and negotiating.  Early in the piece, to try to alleviate some of those issues, we pretty much had our project manager in Tasmania with the Fujitsu project manager trying to get the project moving."*

ICS is not sure of the relevance of his comment about 'a *relatively small company'*.  ICS has delivered many projects that are many times bigger in contract value, process and data complexity and volume than the Department of Health project. ICS has successful long term engagements with customers in Australia and overseas. The NT Department of Health project is the single project where ICS has not successfully delivered the contracted outputs.   Furthermore, there were no procurement criteria specifying that suppliers must be of a particular size.

ICS rejects any suggestion that there was any issue with ICS *'coming to the party'*. ICS had achieved significant outcomes under very difficult circumstances and was within 3 weeks of delivering a major milestone. The reasons that have been given for this decision were not discussed with ICS. The decision has cost the Department of Health significant extra cost and more than a year (and counting) of missed benefit from having an operational system.


7. Lessons Learned from the Project and Recommendations that might influence future ICT Projects

1. Bringing a large operation-critical system to an agency within a department, is a very significant task, which will have a long term effect on many individuals both within and outside the Department.   Such a task which provides the work-tools and efficient operation for the agency is not something to be handled lightly, but requires good-taste, finesse, and experience.  The NT Government should ensure that the senior manager of such an agency should have good quality knowledge and experience in bringing such a system into the agency.   In cases where this manager does not have this knowledge personally, then they should have a trusted and senior advisor who is independent of the Vendor who is sufficiently empowered to influence internal decision making.

2. ICS recommends that the NT Government adopt formal Project and Program Management methodologies for all ICT projects to ensure that it derives benefit from this body of knowledge.  ICS notes that Project Management and Project Governance principles are well understood in the industry and a significant body of knowledge exists around good Project Management practice.

3. The NT Government should have a Project Manager for single point of resolution and accountability on any ICT project. This person should always have competence in Project Management of IT Projects.

4. ICS recommends that the NT Government insist that vendors on ICT projects provide an accredited Project Manager and follow formal Project Management methodologies.

5. An appropriate Project Board should be appointed to both support and challenge the Project Manager and provide timely issue resolution when necessary.

6. Understand that management of Business Change is as important as getting the right IT solution.

7. Ensure that contractual arrangements allow all parties, including relevant sub-contractors, to be fully involved in resolution discussions when things are not going smoothly.

ICS suffered significant financial loss through its involvement in the NT Department of Health Grants Management System Project. However, the ongoing contractual relationship with other NTG agencies that use Grants-Tracker is positive and delivers both good value for the NT Government and a fair return for ICS.

ICS remains committed to providing our software to the Northern Territory Government and will continue to seek opportunities to make the benefits of Grants-Tracker available to additional agencies.

ICS would be happy to respond to any further requests for information or clarification.


Yours Sincerely,

David Ovington

Senior Project Manager