



**LEGISLATIVE ASSEMBLY OF THE NORTHERN TERRITORY**

**12th Assembly**

**Public Accounts Committee**

**Public Hearing Transcript on Management of ICT Projects**

8.30 am, Monday, 9 December 2013

Litchfield Room, Level 3 Parliament House, Darwin

- Members:** Ms Lia Finocchiaro, MLA, Chair, Member for Drysdale  
Ms Nicole Manison, MLA, Member for Wanguri  
Ms Natasha Fyles, MLA, Member for Nightcliff  
Mr Gerry Wood, MLA, Member for Nelson
- Witnesses:** Department of Corporate and Information Services  
Ms Kathleen Robinson, Chief Executive  
Mr Chris Hosking, Senior Director Commercial and Business Services
- Department of Infrastructure  
Mr David McHugh, Chief Executive  
Ms Wendy York, Chief Information Officer
- Department of Housing  
Ms Anne Bradford, Chief Executive  
Ms Michelle Curran, Deputy Chief Executive  
Ms Noelene Swanson, Senior Executive Director Remote Housing  
Mr John Harrison, Director Maintenance, Planning and Delivery
- Department of Treasury and Finance  
Mr David Braines-Mead, Acting Deputy Under Treasurer  
Ms Tracey Scott, Assistant Under Treasurer
- Power and Water Corporation  
Mr John Baskerville, Managing Director  
Mr Anthony O'Hara, Chief Information Officer  
Mr Kelvin Strange, General Counsel/ Company Secretary  
Mr Antoni Murphy, Senior Manager Risk and Compliance
- Department of Health  
Mr Jeffrey Moffet, Chief Executive  
Ms Jan Currie, Senior Director  
Mr Stephen Moo, Chief Information Officer

The Public Accounts Committee commenced at 8.30 am.

**Madam CHAIR:** On behalf of the committee, I welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee Ms Kathleen Robinson, Chief Executive of the Department of Corporate Information Services, and Mr Chris Hosking, Senior Director Commercial and Business Services. Thank you both very much for coming before the Committee. We appreciate you taking the time to speak to the committee and look forward to hearing from you today.

Today is a formal proceeding of the committee and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. 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 say should not be made public, you may ask the committee to go into a closed session and take your evidence in private, and we are more than happy to do that.

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. Witnesses, could you please state your name and the capacity in which you are appearing.

**Ms ROBINSON:** Kathleen Robinson, Chief Executive Department of Corporate and Information Services.

**Mr HOSKING:** Chris Hosking, Senior Director Commercial and Business Services, Department of Corporate and Information Services.

**Madam CHAIR:** Thank you. Ms Robinson, would you like to make an opening statement?

**Ms ROBINSON:** Yes, I would. I would like to make a brief opening statement.

The Department of Corporate and Information Services, or DCIS as it is known, was assigned responsibility for the Asset Management System from 7 October this year. DCIS operates a number of whole-of-government corporate business systems, and AMS now joins that stable of systems. Since the inception of shared services in the Northern Territory government around 15 years ago, DCIS has managed and operated the majority of ICT systems that are used by all agencies across government. That includes systems like our

HR Information system called PIPS, the government accounting system, GAS, and our TRIM records management system, as well as a number of peripheral ICT systems.

As AMS is an enterprise-wide system the majority of agencies use, it is appropriate it is assigned to DCIS now to manage. With the transition arrangements, DCIS' initial focus has been on the transferring staff and functions across from the Department of Infrastructure, and getting a better understanding of the project and the details of the system and all the related projects.

The relocation of staff across occurred in late October and most, but not yet all, of the transition tasks required under a machinery of government change are now complete. We have assigned the AMS program top priority in system projects and business programs, and we are concentrating on the significant challenge that AMS presents. We are analysing the system and the related business processes in order to develop a more detailed understanding of the number of the core configuration and design issues that have presented difficulties to users of the system across government. We are also considering the detailed business requirements of agencies across government. Considerable progress is being made and this work is continuing.

DCIS is building on and refining the work done in the structures established under the previous AMS custodian arrangements. Ms Anne Bradford, in her then role as AMS custodian, briefed the Public Accounts Committee in August this year and outlined the approved AMS conceptual framework function structures and governance arrangements.

The AMS conceptual framework has been retained and, as Ms Bradford explained in August, the next major milestone is a stage-gate review scheduled for early 2014. DCIS is working to this milestone, and we plan to take the stage-gate review report to government in February. This is our primary focus area at present.

The stage-gate represents the opportunity to consider the way forward for addressing the government's needs for asset management processes and information into the future.

DCIS has a three-tiered approach to the AMS program of work, consisting of the following streams:

**Service delivery.** This stream is focused on stabilising the day-to-day operation of the AMS in maintaining the system in a steady state of operation. Irrespective of any views around the system, AMS is currently operational and is the government system for recording asset transactions and data. This requires a range of system support activities to keep basic functionality operational for agency users across all government agencies on a daily basis. Significant progress is being made to settle in the system and improve the help-desk services to agencies, implement solutions to everyday service delivery issues, and provide

user training. DCIS is transitioning AMS to a contemporary job ticketing system that will benefit AMS users who need to get an issue or problem resolved. The team that supports the system in day-to-day operations is working hard to improve the service users in agencies' experience every day

The second stream is remediation. This stream is focused on the remedial work required to produce suitable government financial records for 2013-14, critical fixes to the AMS business processes and improvements required by agencies to manage their assets in the core SAP software. The initial analysis undertaken by DCIS has highlighted a significant body of work required in this area, and prioritisation of remediation work will be a critical factor. This will ensure the technical resources are focused on fixing the problems that will deliver the greatest benefits.

The two priorities currently targeted are: improving the accounting treatment and processes around assets to ensure that accurate financial records can be maintained; and achieving a better level of reporting from AMS so agencies have the information they need to manage their asset portfolios. DCIS is working closely with Treasury and those agencies with major asset holdings to address the remediation issues.

Recovery is the third stream and the focus of the stage gate as I mentioned before. This stream is focused on determining the most appropriate solution for government to manage its assets in the medium to long-term. Through our early investigations we have found significant technical issues associated with the fundamental design and configuration of the core SAP software that comprises the system.

To assist us working through this stage gate process we have engaged asset management expertise from KPMG, through people with experience in major assets systems projects in other jurisdictions. DCIS is currently engaging with all agencies that have significant asset portfolios to revalidate their business requirements for asset management and compare this to what has been delivered in the SAP/AMS product.

The exercise includes careful consideration of essential business requirements and features that are useful but fall within a desirable category. This information will assist in determining solution options and costs. The investigations will enable a pragmatic assessment of the gap between what AMS has delivered and the functionality and information government needs. KPMG is also working with DCIS to assess the options available to government to address the gap and deliver a functional and cost-effective solution.

This comprises the stage gate review and will inform the development of solution options which will be presented in costs, impacts, risks and benefits. It is a key decision point for government to consider the future direction it takes with asset management requirements.

We have also streamlined the governance model overseeing AMS, retaining the basic structures but focused the terms of reference on ensuring the committees are quite agile and responsive, with a strong focus on governance project control, agency engagement and informed decision-making.

The primary governance committees are the Ministerial Oversight Committee chaired by the Minister for Corporate and Information Services, the AMS steering committee which comprises key agency chief executives or deputies with a strategic program focus, and an executive review group comprising senior executives from agencies with major asset portfolios. They bring the detailed business knowledge to the process.

The transfer of budget for the AMS program from the Department of Infrastructure to DCIS is almost finalised and remains one of the final transition tasks to be completed.

The Public Accounts Committee was previously advised total expenditure on AMS was \$50.9m to the end of 2012-13. To date, for 2013-14, AMS expenditure totals \$6.4m with up to \$17m projected by year end. Much of this expenditure relates to contractual commitments that are locked in, expensive fly-in fly-out contractor resources to provide necessary SAP system expertise, and software and system support costs. DCIS is taking action to reduce program costs wherever feasible including cancelling consultancies, ceasing contractors, and re-distributing internal resources although our discretion is quite limited until some of the contracts expire. In any event, keeping AMS operational is an expensive exercise and our trimming is at the margins at present.

In closing and considering the broader remit of this review into looking at ICT management projects, DCIS gave a response to the committee on the management of ICT projects within our agency, and more broadly across government, and looking at ICT governance. DCIS was formally created as a stand-alone agency again in December 2012 through an Administrative Arrangements Order change. The previous ICT policy and strategy portfolio was combined with ex-shared service functions to create a Corporate and Information Services portfolio after the change of government.

Since taking on that responsibility for ICT policy, DCIS has progressed a number of actions targeted at improving the governance of ICT matters across government. The current ICT governance framework does not encompass any oversight of major ICT projects or investments, and the lines of authority in that framework are not clearly established.

The existing framework has been reviewed with the assistance of an independent expert, and we have had extensive involvement with the key agencies. The review has considered a new approach to ICT management which will improve outcomes, and learn the lessons from the AMS project and other similar projects.

A Northern Territory Government ICT governance review has been finalised, and a contemporary ICT governance model is being developed. The key elements of the proposed new model include: revised committee arrangements; more appropriate senior representation; more stringent checks and balance to ensure oversight of major ICT investment decisions; and management of initiatives from an all-of-government perspective.

The framework will, if approved, set the rules for the management of ICT investments and activities which will apply across government. It is proposed to strengthen and authorise this framework through a Treasurer's Direction series under the *Financial Management Act*. This will provide explicit legislative basis for ICT decision-making and management. DCIS is, again, working closely with the Department of Treasury and Finance on this aspect. This body of work will form the basis of a submission to government in early 2014. If approved, the framework will improve the alignment of ICT investments with government directions, strengthen oversight of high-risk and high-value ICT investments, and put in place a framework to improve the management of ICT.

Madam Chair, that concludes my opening remarks. Thank you.

**Madam CHAIR:** Thank you, Ms Robinson. There are a series of general questions we would like to go to to get a feel for both you and Mr Hosking's view of things, then we might ask you a few questions on your statement.

**Ms ROBINSON:** Sure.

**Madam CHAIR:** Obviously, we are here today to focus on the factors determining the successes and failures of the AMS system and, basically, so we can learn the lessons and, as you said with your framework, set up something for the future so we, as a government, do not make the same mistakes again.

Whilst we hear many negatives things about AMS, I first want to ask either of you, or both, what you consider to be the successes of the project, if any.

**Ms ROBINSON:** That was an interesting question. In the long term, the successes will be, apart from anything else, the lessons we have learned about project governance and

arrangements, generally, and how we will then flow that through to the management of ICT projects more broadly. We have also learned a great deal about our assets and our detailed processes.

A great deal of work is going into considering what government really needs and what data will be used for versus just collecting data. We have looked at how we might go forward with this, what our future is, and how the systems work together and what is required to make them work better.

**Madam CHAIR:** Thank you. Mr Hosking, did you have anything to add to that?

**Mr HOSKING:** Nothing to add.

**Madam CHAIR:** If you could outline, in your view, what the AMS's failures are. This might take longer to answer.

**Ms ROBINSON:** I believe the failure is it does not actually address the financial requirements particularly well. That is more about how we have configured it and how it has been put together, than anything else. We struggle to get the appropriate financial data in agency records that is needed. That is a key issue for all government agencies.

Agencies, as you know, manage their budgets across the year of their repairs and maintenance budget and minor new works budget, and they need good quality financial data to enable that to work properly. That has been a key issue. There are a range of others.

**Madam CHAIR:** You mentioned that, as much as anything, that is because of how it has been configured. Is that part of government at the time not understanding what it wanted from this project, or is that as a result of lack of expertise, or something Fujitsu should have advised on?

**Ms ROBINSON:** It is possibly a combination. The system in itself is a comprehensive system, but when you are taking just the asset management module without using it as an enterprise system, as it often is in other jurisdictions, it adds the layers of complexity in getting the data required.

**Madam CHAIR:** DCIS has obviously only taken carriage of this project recently, but what lessons has your department learnt from the pitfalls of this project?

**Mr HOSKING:** Can you repeat the question?

**Madam CHAIR:** Whist I appreciate DCIS has only had the project for a small amount of time, what lessons has your department learnt from this project?

**Mr HOSKING:** It probably follows on from Kathleen's earlier comments about the project governance models and arrangements, but we spent the first eight weeks having a very careful look at AMS. Obviously that is not a long period of time, but we are on a fairly short time frame to get to the stage gate decision that Kathleen referred to in her introductory remarks. We have been spending a lot of time and committing a lot of resources to looking at the system, how it is configured, what agencies really need in an IT system to manage their assets versus what this piece of software has delivered, and looking at whether we can bridge that gap effectively. That is causing the fundamental problems in departments who need to manage their assets from day to day. Then, putting together a response to that trying to bridge the gap, or bridge the gap between what is delivered and our requirements. We have not completely finalised that yet, but we have a much clearer picture than we did eight weeks ago and will be using that to develop a proposal to government early in the new year about what the way forward is for asset management software more broadly across government, whether it be this one or any other.

**Madam CHAIR:** Ms Bradford spoke at length about a governance model she had developed and all those types of things. Could you give the committee an indication – I know I speak for my colleagues – we were quite impressed with that framework and it gave us confidence that things would be okay in the future. As part of that confidence we also asked Ms Bradford if you reached the point in the project where it would not be viable and was not coming together, would you give government full of frank advice that we need to stop and reconsider it. She was certainly of a view this is about taking stock, about steering it to a point and then making a decision. We are all curious as to how much of Ms Bradford's governance plans and things like that DCIS is staying with, or if you are changing them, how are they changed?

**Ms ROBINSON:** As I mentioned before, the conceptual framework approved by the ministerial committee has been retained in full and we are still working to that. The key element of that framework is the stage gate review in early 2014. We are working with that; we have stayed with that. The comments from Ms Bradford previously about that being the opportunity to reconsider our future position remain, and we do not resile from that at all. We will be putting a paper to government about what we recommend as the future solution for asset management.

In the broader frameworks, we have retained pretty much all of what was available before. DCIS has a range of internal ICT governance arrangements and we have our processes that we deal across all of our core business systems. We are bringing the Asset Management



System into line with that. It has resulted in a refinement in a couple of places around the terms of reference for some of the committees and things like that. It really has not substantially changed the membership, but we have the focus on those top three committees I mentioned before: the oversight committee, the steering committee and the executive review group. We are supplementing those with what we call technical reference groups which are subject specific, deal with a particular issue, bring in some experts from various parts across government to deal with a particular matter, and then we open and close them as we need to.

**Mr WOOD:** Excuse me, Madam Chair. Would we be able to get a copy of the terms of reference for those three groups, please?

**Ms ROBINSON:** Sure, yes.

**Mr WOOD:** Those expert people you are getting in for specific requirements, are they from the Territory or do you need to get people from interstate?

**Ms ROBINSON:** Generally, they are from the Territory. They are usually people from within agencies. We are talking not so much IT experts, but business process experts and experts in what our own requirements are across government. As you know, the agencies are quite diverse, so we bring in agencies to represent their views and explain their particular needs.

**Mr WOOD:** When you say 'agencies are quite diverse', is there a definition of assets and asset management that applies equally to every department? Is it quantifiable?

**Ms ROBINSON:** There is an accounting definition of assets that applies to everyone in the Northern Territory Government and in external entities as well. That definition is the one we are using.

**Mr WOOD:** Thanks.

**Madam CHAIR:** I had something, now I have forgot. I was thinking about the resourcing. Obviously, you have a very tight deadline, and you have only just taken control of an enormous project with many layers. Do you feel you are adequately resourced to reach that deadline?

**Ms ROBINSON:** The deadline of the stage-gate review?

**Madam CHAIR:** Yes, sorry, the stage-gate, yes.

**Ms ROBINSON:** Yes, we are.

**Madam CHAIR:** Roughly, how many departmental staff would be working on AMS from your department at the moment?

**Ms ROBINSON:** In rough numbers, six or eight, maybe more.

**Madam CHAIR:** What is the level of engagement with other agencies?

**Ms ROBINSON:** Quite significant. We are putting a very big focus on getting out and talking with agencies and, in more cases, listening to agencies. We have a number of workshops going on at the moment. We have people out there talking at a raft of levels. This KPMG process is involving extensive workshops and discussions with agencies. I have put a finance person on from another area of the agency into this, and she is spending a great deal of time going out and talking with the finance people in agencies, with the CFOs and others across government. We are putting a very strong emphasis on understanding those agency requirements.

**Madam CHAIR:** I imagine through those committee structures, you also have representatives from agencies on some of those committees as well?

**Ms ROBINSON:** Absolutely. DCIS, as an agency, runs, as I said before, corporate whole-of-government systems. We are quite good at that. However, DCIS as an agency has very few assets so we do not confront directly ourselves a raft of asset-holding issues. Therefore, it is important we get out and talk to those large agencies that do have a lot of assets, so we can understand what information they need, what time they need it in, and how the processes need to work for them.

**Ms MANISON:** Sorry, can I ask a question?

**Madam CHAIR:** Yes, go for it.

**Ms MANISON:** Sticking to the line of questioning around resourcing, given you have ultimate oversight for the Territory government about the direction of the AMS project, you

said you have about six to eight people within DCIS working on the AMS at the moment. Across all the agencies, how many staff would you say are currently dedicated to the AMS project?

**Ms ROBINSON:** Probably about 40-plus is the answer I have been given. I need to say, and I should be clear, the six to eight people I mentioned are people who were in DCIS prior to AMS coming on board that we have moved across from other projects and other work in the agency to focus on AMS. As you know, we have brought the AMS team across from Department of Infrastructure. Then, these are our DCIS employees - around 28 of those I think. So, we have a significant complement of staff dedicated to the project. But we have put more on from within our agency.

**Ms MANISON:** So, the six to eight are on top of the ones that came over from the Department of Infrastructure?

**Ms ROBINSON:** Yes.

**Mr HOSKING:** It is redirection of resources internally within the department. They have been pulled off other things to work on this.

**Mr WOOD:** This may be a little political, but you can tell me if you do not want to answer it. Should have this no have all started in DCIS in the first place, instead of the Department of Infrastructure? It seemed to be a little strange.

**Ms ROBINSON:** The way the whole system came about was a submission put forward by whatever iteration it was called at the time of the Department of Infrastructure. It was a request by Infrastructure. It was a request by Infrastructure; it was their project. It was something they wanted to do. The previous Asset Information System, the Building Asset Management System and I think at the time the roads system were all part of that one agency. At the time it did not seem strange because they were the core agency that hosted those systems. Some of them have now moved into other agencies with administrative arrangements changes, but you could really look at this as either an infrastructure-related system, in which case you would look at the infrastructure agency to manage it, or you could look at it as a corporate business system, in which case you would look at us. It was when Ms Bradford was involved in it and took on that concept of an AMS custodian and dealt with it as a broader whole-of-government system that the idea of putting it in a DCIS type agency was canvassed.

**Mr WOOD:** Where does the point come for the minister to make some decisions? You can talk about going down from your position and ensuring it is running, but where do notify

the minister, or Treasury for instance, that you need more money, or the system is starting to improve, or the system is not going anywhere? At what point does that happen?

**Ms ROBINSON:** Formally, that occurs at the stage gate review in February. Informally, it is occurring on a more regular basis. I meet my minister fairly regularly and AMS is one of the topics of conversation, and I will give him a very high-level update usually, but we will look into a more detailed update to him fairly soon. Treasury is on the steering committee and we speak to them on a regular basis.

**Mr WOOD:** Thanks.

**Madam CHAIR:** I forgot to welcome Frank McGuinness, our Auditor-General. He is hiding way down the back. Thank you, Frank for coming. We always value your advice and at any point you would like to come to the table and add comments, please feel free to do so.

Look, he is coming up now, he cannot resist. This is one place this man feels comfortable, more than the rest of us. Thank you, Frank.

I might move on to the current status of the AMS system. What is your opinion of the Asset Management System functionality compared with its original specifications? Is it doing what it was supposed to, or has it morphed into something completely different?

**Ms ROBINSON:** No, it is not meeting the original specification. It is not doing what it was originally intended to do. It is not the full product. A range of items were in the original specification that have not been brought to account, and that is the GIS component ...

**Mr HOSKING:** The spatial information component.

**Ms ROBINSON:** That is it, and the mobility component and things like that. Whilst it is working, it has been set up in a way that makes the actual day-to-day updating of information in the system extremely cumbersome in places and that is not easy to fix or to change. You have to do a lot of work to capitalise an asset and record it in the system. You have to do a lot of work to enter the details for the inspection on vacating a house and things like that. There are areas where significant data input is required into the system that can take many hours to do.

**Madam CHAIR:** Are you guys working on streamlining that, or that will be how it is and we have to accept it?

**Ms ROBINSON:** We are looking at that and how readily able we are to change that. I am advised some places it is built into the design - like the design of a house where you have to basically take it back to the foundations to adjust some of that. That is part of the exercise we are going through now working up to the stage gate review.

**Ms MANISON:** As we are talking about functionality of the system and trying to get to the bottom of where the issues – how it came to be we are at this point asking questions at a public hearing, in determining the original specifications around the functionality, how was that process undertaken? Who determined what was needed in this AMS system in the first place?

**Ms ROBINSON:** That is a bit outside my scope. I was not involved in the original determination of the specs. It went to tender as a system, so there would have been specifications laid out then. It would not have been to that level; it would have been subsequently determined through the project team and in consultation with some of the agencies at the time, would be my guess.

**Madam CHAIR:** Following on from Ms Manison's point, Ms Robinson you were on the steering committee for a couple of years? Is that correct?

**Ms ROBINSON:** Yes

**Madam CHAIR:** So, by the point of your involvement, all of that scoping and foundation building had already been done?

**Ms ROBINSON:** As far as I am aware, yes, it was.

**Madam CHAIR:** Okay. I have a question here that says: when is the system likely to be fully functional? I imagine you are working towards the stage-gate and that is probably as ...

**Mr HOSKING:** It would be very difficult to give you a precise date.

**Madam CHAIR:** Yes, the resources are really focused on that stage-gate point. This is a question of opinion. Do you have any views about why the system fell short in achieving what was expected in meeting the various departments' expectations? As a committee, we hear much about it did not quite fit the bill for one department or another. Are there any comments you would like to make on why it may not have achieved that?

**Mr McGuinness:** Madam Chair, in falling short, there are a number of issues. One, if I go right back to the beginning, it was some of the business process design problem lacking, and that was not entirely the fault of Infrastructure. It was the line agencies may not have appreciated the importance of getting involved in the very early stage and helping to document their processes, because the system design then works on the processes. A poor process mapping can lead to poor system design.

The second part was probably the lack of experience with Infrastructure of IT project management. If you look across the general government sector, DCIS was probably the only agency which has people in it who perhaps have reasonable experience in managing your IT projects, and bring those aspects together. You find you end up with a system which falls short of what users might have expected.

**Mr Wood:** Can I just ask a question to whoever? One of the reasons we exist as a committee investigating this Asset Management System is to ask, if we have to do this again, how can we get it right without having to go through all this fairly heavy financial costs to the Territory? If we had to start again have you any recommendations how we should do it properly from the beginning?

**Ms Robinson:** Yes, I have. How we would do it if we had to do it again would be paying much more attention up-front before we went to market; looking at it in much more detail when the initial request came up for the system; what exactly it was going to do; understanding that at a greater depth; involving agencies right from the beginning then; and differentiating between what are the business needs from the nice-to-haves and understanding the costs and benefits of those at a much deeper level; a lot more involvement in the developing of the tender; and monitoring that process right from the get go.

**Mr Wood:** Would it be something for which DCIS would set up as a series of guidelines, or even rules, that should be in place before any department goes down a certain way?

**Ms Robinson:** That is one of the things we are looking at under this governance framework we are proposing: that you would put those guidelines out and we would look to much more information being available to people in how to go about this. If the framework gets set up the way we were looking at it, you would become a high-level governance committee right from the beginning, which would have a good look at it before you even took it to government for funding or anything like that.

**Mr Wood:** Would you also have some either guidelines or rules about how you deal with private companies in relation to these sort of contracts?

**Ms ROBINSON:** Potentially, yes, we would get involved. When you go out to tender you usually put your terms and conditions of your contract in the tender document. As part of that, before you went to tender, we would get that discussion and review happening of those documents right at the beginning.

**Mr WOOD:** That would include, for instance, a fairly thorough analysis of the company's ability to do what you are trying to do?

**Ms ROBINSON:** Yes. There is nothing to say – I was not involved in that part of the process – that was not done this time around as well. SAP has accredited business partners. It goes through an accreditation process to decide those companies are worthwhile, and Fujitsu is an accredited business partner of SAP. That is something any tender panel would pay due regard to in considering it.

**Mr WOOD:** One of the issues the Auditor-General raised was the government did not put enough people into the project even though Fujitsu asked for more people. Those sorts of issues, you would hope, would be identified before you went down the path of ...

**Ms ROBINSON:** Yes, you would potentially ask the companies bidding to advise what structures were required, what programming resources were required, and they would identify that in their proposals and you would consider that when making the assessment.

**Mr WOOD:** Thanks

**Madam CHAIR:** Ms Robinson, when you were on the steering committee, what capacity was that in? Was that representing DCIS?

**Ms ROBINSON:** Yes, it was. It was not called DCIS at the time, I believe it was DBE, but it was in that capacity. It was a fact that the Asset Management System, when built, would need to link in to our corporate systems, particularly the accounting system, so it was in that capacity.

**Madam CHAIR:** You were representing DBE in what they would need out of the project, is that right?

**Ms ROBINSON:** Yes.

**Madam CHAIR:** Were steering committee meetings regular and well attended?

**Ms ROBINSON:** They started out regular then, as you will know from the minutes we have provided, there were gaps of a few months here and there. The meetings I attended were well attended. I have looked at the record since and know there were a number I did not attend as well. I am the same as anyone else in not being able to get to all the meetings. The ones I attended had quite a deal of discussion on issues from the agency representatives.

**Madam CHAIR:** Did you feel through that process DBE's concerns were being heard and responded to? Obviously, you were there advocating on behalf of your department, how did you feel that process went and did DBE get the product it wanted?

**Ms ROBINSON:** As I said, our focus was less from the assets and more from the back-end systems. I went back and looked at the records. I attended the first three steering committee meetings in 2009, one in 2010 and a couple in 2011. Our focus was on the accounting side of it and ensuring the information fed back through. There were several instances where issues came up about putting more financial and HR data into the SAP product instead of in our existing corporate systems. We had quite vigorous discussions around the table on that and agreed we would retain all of our core data in our source of truth systems being our corporate system. From that perspective, in ensuring we kept within the whole-of-government model, we were satisfied with that.

The subsequent issues about the particular interface with the government accounting system did not emerge until some time later than that.

**Mr WOOD:** The steering committee was the highest level of discussion about AMS, where did their decisions go upward from when they started to have concerns about problems and needing more money? Who was making the decision to give you more money?

**Ms ROBINSON:** It went to the Chief Executive of the department in charge at the time. I won't get the acronym right because it has changed a couple of times, but it was effectively the Infrastructure department. To the extent that the department needed more money from outside its budget - I know there were several times when it was told to fund from within - they then would have gone to a normal Cabinet process.

**Mr WOOD:** Would it also go to Treasury, or does it go to Treasury from the Cabinet? Which way does it go?



**Ms ROBINSON:** You would have to double check with them on that. The traditional process is normally through the department's CE to Cabinet to Treasury, but sometimes people will check it with Treasury first.

**Mr WOOD:** Money could have been provided, either as extra or through the department, which would mean they would have had to cut back on some projects internally?

**Ms ROBINSON:** That is right.

**Mr WOOD:** Is there a record of which way the money was allocated?

**Ms ROBINSON:** I do not have the details of that myself, no.

**Mr WOOD:** I was just wondering. Again, if we are looking at the processes and how they should operate ...

**Ms ROBINSON:** I am sure there are records, I just do not have them, that is all.

**Mr WOOD:** From a future government's perspective, if something like this happened again where they needed extra funding, is it better to have a contingency plan if you are going to go down this path again, or you just expect your departments to cut back on some of their existing programs?

**Ms ROBINSON:** It is not uncommon for large ICT projects to have a contingency, in much the same way as large infrastructure projects have a contingency built into their budget. That is something which can be considered going forward. If you look at the major ICT projects in other jurisdictions, that cost is not greatly different to what they have done in some other areas. In essence, probably the original estimate was under cooked.

**Mr WOOD:** Was there any contingency plan?

**Ms ROBINSON:** I do not know.

**Mr WOOD:** Can you remember whether there was a point where the steering committee said it should not go any further?

**Ms ROBINSON:** Not at the steering committee meetings I attended.

**Mr WOOD:** You talked about it now. Should there be those gateways?

**Ms ROBINSON:** Exactly.

**Mr WOOD:** It will come to a point where you have to make a decision, one way or the other?

**Ms ROBINSON:** Yes. A formal stage-gate review during that process would have brought it to account earlier.

**Mr WOOD:** Again, that is one of the things, if we are going to give some recommendations, we should be looking at?

**Ms ROBINSON:** It is definitely one of the features in the framework we are putting up. I know it is something that is now used in a couple of the other jurisdictions. The issue is those stage-gate reviews would be independent of the project, and that would make a big difference.

**Mr WOOD:** Thanks.

**Madam CHAIR:** You just explained earlier, Ms Robinson, that the steering committee issues and concerns - need to go and get more money, as the member for Nelson said - would go to the CEO of the then DOI. He would have had to have been fully across the concerns to put that to Cabinet, and that would have meant Cabinet would have understood the issues at the time as well? Otherwise, it could not have been approved. The CEO would have to have a high level of cognition about what was going on?

**Ms ROBINSON:** That is an area I cannot really talk about.

**Madam CHAIR:** The AMS project has had a number of reviews, including SAT technical feasibility check in November 2009, the Auditor-General's audit of November 2010, the PricewaterhouseCoopers' review of March 2011, the AMS project health check of October 2012, the Auditor-General's audit of March 2013, and the Deloitte Target Team report of April 2013. Issues that are raised repeatedly in these reports include: the effectiveness of governance; the lack of stakeholder engagement and change management; and under-resourcing of the project team including a lack of project management skills and no project management office.

Looking back at these reviews, one question which arises for the committee is why these issues were not adequately addressed despite being clearly identified early and repeatedly in the process. To answer this question, we first would like to look at the governance issues.

We appreciated DCIS has newly come on board but, perhaps, through your background experience, Ms Robinson, of being on the steering committee, you might be able to answer. Prior to the restructuring of governance arrangements this year, who was responsible for ensuring the delivery of this project?

**Ms ROBINSON:** The agency that is responsible for the project is responsible for delivering.

**Madam CHAIR:** So, the Department of Infrastructure. Was there an individual or was it a team?

**Ms ROBINSON:** There is a project team involved.

**Madam CHAIR:** We talked a little about the steering committee, but if you could talk about where the steering committee fit in that prior governance structure, that would be helpful for us.

**Ms ROBINSON:** Okay. The steering committee fitted in the original structure on paper in much the same way as it does in current structures; it was the top level committee where information would feed up to it. Decisions were made about which issues came to the steering committee and which were considered strategic and important for the steering committee to look at – issues and risks.

My recollection is there were a few, but not too many. They had a more detailed project board which was dealing with the day-to-day issues.

**Ms MANISON:** An operational-type decision they could recognise was dealt with at a board level not the steering committee level?

**Ms ROBINSON:** That is correct.

**Ms MANISON:** How many people were on that board?

**Ms ROBINSON:** I do not know off the top of my head. I would have to check.

**Ms MANISON:** They were just within the Department of Infrastructure?

**Ms ROBINSON:** No, they included agency people as well.

**Mr WOOD:** We have a list somewhere of people on the ...

I have in front of me the steering committee's objective was to provide guidance to the project for the efficient and timely delivery of an asset management system, and the objective of the Asset Management System project board was to implement the SAP and ESRI Asset Management System in an efficient and timely manner.

If it did not work, then who – as it has not worked well – is really to blame in the sense the steering committee was to provide guidance but the project board was to carry that out? Was there a proper relationship between the two? Was the feedback from one to the other adequate or did it fall down?

**Ms ROBINSON:** I cannot recall there being much feedback between the two groups, I believe it fed through the project team. The project team had carriage of both of those groups and provided information to them, and passed information up and down the line in relation to those two bodies.

**Mr WOOD:** They did not have a direct relationship. Were there people on the steering committee who were on the project board, or were they completely different and independent?

**Ms ROBINSON:** No, they were different people.

**Mr WOOD:** You had a project team as well, the nitty gritty people, you might say ...

**Ms ROBINSON:** The project team always runs the project. We have a project team now within DCIS which is running the Asset Management System project. There has always been a project team within the agency responsible for delivery of the project - that stays. Those people do all the day-to-day organising, deal with the contractors, work out the tasks,

manage the project plans, link with the agencies, organise the training, plan the testing and all that type of thing.

**Mr WOOD:** Who would the project board relate directly to? There must be a way the advice comes through the system. Would the steering committee talk to the project board and the project board talk to the department's representatives?

**Mr HOSKING:** The project team within the agency will work to a line manager within the agency, usually a project director, someone senior who oversees that group of technical resources running the system and doing the work on a day-to-day basis. Usually, that project director would sit as part of that board or, potentially, the steering committee on the governance groups, but there will be a line manager within the agency responsible for the day-to-day supervision of that project team.

**Mr WOOD:** I believe there is a line item for a project manager on that board, or there was. I had a quick look at the minutes of one of the meetings ...

**Mr HOSKING:** A standard project management model would maintain a connection between the day-to-day management of the staff in the team and the governance bodies or committees, however many there may be.

**Mr WOOD:** Did the project team have any say - they are the ones trying to make things work on the ground - did any of those people say, 'Hey, this is a bit impossible'. Were there any problems at that level?

**Mr HOSKING:** It is very difficult for us to answer that because it was being managed in a different department at the time.

**Mr WOOD:** What are the people in that team doing now? Have they been moved into your department or have they been scattered?

**Mr HOSKING:** The ones who remained in the Department of Infrastructure in October, when we took the system over, have all transferred across. We simply lifted the existing team and all the resources across to DCIS. There has been a great deal of turnover within that team though, so we do not have all the original people who worked on the project over the last several years.

**Mr WOOD:** Could I then ask, has turnover been an issue as part of one of the reasons you may have had difficulty with this program?

**Mr HOSKING:** Yes, turnover, particularly within the specialist contractor resources we rely upon to implement a system such as SAP, has been a problem, yes.

**Mr WOOD:** Would turnover have been caused by departments wanting to move people around, regardless to where they were, or just simply people left the job? Any idea which it is?

**Mr HOSKING:** Again, very difficult to say because we were not managing the resources at that point in time. One of the things to consider is that SAP is a very sophisticated piece of software. This is the only SAP footprint in the Northern Territory, so there was a need to use expensive interstate contractor specialist resources. Bringing those people to Darwin to work on a project such as this - they are not people who live and work and stay in Darwin. So, it is normal to expect a bit of a churn amongst those. As to what the turnover has been with the public servants working on the project, I really could not say.

**Ms ROBINSON:** I have to correct one point. I have just been advised there were some common members on both the project board and the steering committee in those early days.

**Ms MANISON:** Can I go back to that issue before talking about the steering committee and the board, given we are talking about the operational people dealing with the nitty gritty issues of day-to-day use of an Asset Management System versus the steering committee which was the more high-level senior management looking at the whole agency perspective and advising on the project? Looking in hindsight, communication between the board and the steering committee could have been better, in your view?

**Ms ROBINSON:** Yes. For instance, we had a member on the project board and we could have done more, in hindsight, to have better communication between what was going on at the board level and the steering committee internally.

**Ms MANISON:** Were there any formal reporting of problems from the board to the steering committee in any mechanisms they had in place to raise the day-to-day issues that came up in different agencies?

**Ms ROBINSON:** Yes, there was an issues register kept by the project team, and that was worked through with the project board. Where they got to a point they felt that an issue needed to be escalated to the steering committee, they would put it forward to that committee.

**Mr WOOD:** If issues were not looked at, was there any response? Did it just fall off the agenda?

**Ms ROBINSON:** I cannot tell you. I am just not sure what happened there. I would think they were all captured but I am not sure.

**Madam CHAIR:** The project board was feeding up information into the steering committee for the steering committee's comments. Who was the steering committee accountable to, or were they just merely an advisory board and did not matter what decisions were made? I was just curious because there were so many reports came out critiquing what was going wrong with the project, and that it was lack of documentation and all sorts of other things. From a lot of the minutes, we have seen it says, 'Yes, we have read this report', and it said it was great. But, when you read the report, it said the exact opposite. What was the steering committee's overall role, and who were they accountable to when making these decisions?

**Ms ROBINSON:** I have seen some comments referring to the steering committee having accountability, but an agency Chief Executive needs to be accountable for a task that is assigned to that Chief Executive to deliver. That is where the final accountability rests. Any steering committee is an advisory board into that, so it is giving its advice, comments, and input. That is done with a great deal of care and going through the documents that are provided to it. So, a steering committee is as good as the quality of the members and the quality of the information that comes to it.

**Madam CHAIR:** Would the Chief Executive sit in on your steering committee meetings, or you guys would provide advice to the CE as paperwork or ...

**Ms ROBINSON:** Separately, yes.

**Ms MANISON:** Would you recommend in the future the Chief Executive sits in the steering committee directly?

**Ms ROBINSON:** Yes, definitely.

**Mr MANISON:** Going back to the issue again where we have broken down. There were definitely some communication issues between the board and the steering committee, and the fact we did have a system in place, apparently, for the issues register and what not but, clearly, that did not resolve many of the issues that came up. Going forward with the project manager, is that an issue you are looking at again, about how to ensure the (inaudible)

system that was in place did not get the results with the system and what came out in the end? Going forward, I know you are coming up to this first stage-gate early next year. If you are going forward further, with further developing the AMS, is that something you are looking at ensuring that better management of those operational concerns as they come up through the various agencies, with whatever solutions you try to put in place going forward?

**Ms ROBINSON:** We will retain an issue register across the project of every issue that comes up. That will be provided for consideration and review at our various meetings throughout our executive review group and our steering committee.

**Mr HOSKING:** One of the things we have done since the system has transferred to DCIS - one of the earlier findings referred to was the lack of a program office for running the project. We have a program management office PMO to run most of our major ICT projects. We have used that program management office approach and brought it to bear on AMS. The director of that PMO is directing transition of the AMS system between DoI and DCIS. We have brought our project management framework, the same methodologies that we use to manage a range of other systems like PIPS and GAS, and the work we do in that space, to bear on the AMS system in addition to the governance structure we referred to earlier which has a ministerial level committee, a steering committee, and an executive group with key asset agency stakeholders sitting on it. Those committees are reporting to one another and getting consistent information presented to them. We have that project governance model and our internal governance model to deliver IT systems synced up.

I would not say we have ironed all the bumps out yet, but we have certainly brought our collective horsepower to bear on it. That is the approach we are using to get to that stage gate in early February, which is a tight time frame, but we will meet it because we have pretty much realigned all our priorities internally and brought these resources to bear.

**Mr WOOD:** Did the Department of Infrastructure ask for advice on something that is the expertise you have with these projects? Did they ever say, 'What model do you think we should operate under?'

**Mr HOSKING:** I have really only been involved in the last eight weeks.

**Mr WOOD:** That is all right, I am probably looking at the silo issue that sometimes pops up between departments.

**Mr HOSKING:** Not that I am aware.



**Mr WOOD:** If they had come to you the department should have been able to give advice on such a project?

**Ms ROBINSON:** Sorry, would you mind repeating the question.

**Mr WOOD:** If I was an outsider looking to the government I would say, 'You are the people involved in IT, you are the specialist area, you look across the range of programs you have.' Did the Department of Infrastructure go alone on this project and not ask for advice on how this project should start? Were you involved at all in running these projects?

**Ms ROBINSON:** Getting our consolidated advice on running an IT project, no they did not. Did anyone in the Infrastructure department talk to anyone in DCIS around IT or active projects, that I cannot be sure about. I really do not know what happened there. We in DCIS were refining our own processes over that period as well, so we are a lot better at it now than we were a number of years ago ourselves. It is a continual evolution, improvement and refinement. We have a fully functioning program management office now with formal program management methodologies in place and run a very strict shop, but we were not always that organised. It has taken some time to get there as well.

**Mr WOOD:** Looking at the line of how it works from the top to the bottom, we have steering committee, project board, then we have a project team. The people who worry me are the ones at the bottom of the scale because they are the ones who have to talk to the public. As you said, the GIS system is slow. Mr Land Developer asks for advice, which is very slow. How do people on the ground get their feedback into the system that ends up with the steering committee? There are people working at the front desk who have to deal with this system. Was there any process for them to say, 'This is hopeless', or ...

**Ms ROBINSON:** Again, it is something you need to ask the particular agencies about. That process would normally work through from an agency level.

**Mr WOOD:** That is true, but you have a project team, the nitty gritty people, who obviously should have been talking to the people who had to operate this system. Was there a line back to tell either the project or the steering committee, 'We are getting that this project was not working'?

**Ms ROBINSON:** I really cannot say because it was happening in a different agency at that time. I do not know.

**Mr WOOD:** If it was one of your projects, would you expect feedback from the users of the ...

**Ms ROBINSON:** Yes, absolutely.

**Mr WOOD:** You have a process where that does occur?

**Ms ROBINSON:** Yes, we do. I do not know we have it as black and white as you are thinking about, but it is something we pay a lot of attention to. We have user acceptance testing, and we work through with a range of things. We do internal testing first when we are making system changes, then we go out to the users or bring users in to do it. In our payroll area, when we are doing testing, we work it through, talk to the payroll people in the development, we go through it all, then we work it through internally within the PMO. However, before we release any changes, we either take it out to payroll or bring payroll people into the PMO unit and they run the testing. We do the actual coalface people to check it and make sure it is really working how they understand it should be working.

**Mr WOOD:** This might be a little out of left field, but does anyone do an analysis of whether the change that someone is introducing is going to save the government money, or it is better, for instance, to stay with the system you have? Is that ever looked at, at the beginning?

**Ms ROBINSON:** Yes, it is. It is part of the original documentation. We have project initiation documents which go through that, and we look at the costs and the benefits we are getting out of it. At the end of the projects, when we put it together, we do a benefits realisation. It is like a double check back to make sure the benefits that were originally intended have actually being realised. If not, why not, what are the issues and things like that. We really make sure, not only to check the project costs, but to check it does actually deliver the benefits that were intended.

**Mr WOOD:** Do you know if this was ever done at the beginning of this project?

**Ms ROBINSON:** There was a business case put forward that had costs identified in it. I know it had savings identified. I do not know whether it had other business benefits identified.

**Mr WOOD:** Okay. I do not know whether we can get a copy of that report because, in the end, we want to see whether the government is still going to say after spending all this

money. The decision might have been - I suppose in hindsight it is a bit hard to say that. It might have been easier to stay with what you had.

**Mr GUINNESS:** Madam Chair, that document is probably best provided by the Department of Infrastructure which should have it readily available, I would have thought.

**Ms ROBINSON:** Yes.

**Mr WOOD:** We might be able to ask for a copy of that.

**Madam CHAIR:** They are looking at each other right now.

**Mr WOOD:** Infrastructure might have it. We might ask for a copy of that.

**Madam CHAIR:** Absolutely. I wanted to ask, Ms Robinson, we know Dol had carriage of the project and is responsible for much of the downfalls. However, something we noticed is something Mr McGuinness picked up in his reports: this lack of stakeholder engagements. At the time, DBE was a client, if you like, and they were involved at that steering committee level. What we want to understand is why was there that disengagement between say DBE and Dol at the time, and what responsibility did DBE have to make sure this project was going well, and it was going to get the product it needed to get at the end of the day?

**Ms ROBINSON:** I do not think there was a level of disengagement between DBE and Dol at the time. We had people working and assisting the project team in relation to the accounting requirements from the Government Accounting System. We had one of our officers seconded into the project team for, I think, was on a three- or four-day-a-week basis for a number of months. So, in detailed on-the-ground working around what was required, there was not any level of disengagement.

The broader issues around stakeholder engagement are directed at agencies more broadly. DBE, like every other agency at the time, has a whole lot of other priorities calling their resources for core business. In some respects, it is always a challenge when someone with their priority comes in to your agency and you are trying to deal with all of yours as well. That is always a dynamic in working out what needs to happen and where effort goes. Agencies, possibly, were not aware of the long-term consequences of it in the resourcing they put into it. There is a whole raft of issues there, but you would have to talk to individual agencies about that, or the project teams.

Also, when you look at assets, there are not a lot of dedicated positions across government addressing assets per se, so finding the right people in agencies to get involved in it would have been a challenge as well.

**Madam CHAIR:** Finding the right people brings me to the next question. On the steering committee and the project board - you obviously have an ICT background - in your view were other members of the committee experienced in ICT projects?

**Ms ROBINSON:** Most people on the steering committee were not experienced in ICT projects; however, the people on the steering committee were there to bring different expertise in. People from the large asset holding agencies were there to represent their business requirements in relation to asset information and asset management. Treasury was there with its broader whole-of-government hat and financial perspective. There were not a lot of people around with an extensive involvement in the management of ICT projects, and it is not uncommon to have a steering committee representing business interests rather than ICT project management.

**Madam CHAIR:** Was DBE responsible for the GAS integration? Was that part of its core responsibility?

**Ms ROBINSON:** No, the project team was responsible for GAS integration. The government accounting system has links in with many systems right across government. Most business systems you see or deal with during your normal activities - the Motor Vehicle Registry system, business systems right across government, clearly our HR systems and things like that - have links in with our government accounting system. From memory we have 60-odd interfaces to enter the system. We work with any agency which says they need to interface in with our system and we provide them all the technical specifications; we provide them with the requirements to interface. We work with them in regard to what they need to do. They build the interface then we work with them to test it, ensure it works from our perspective, and then say yes to go live with it.

**Mr WOOD:** You mentioned there were not many people on the steering committee with necessary IT experience. What about the project board? Were those people experienced?

**Ms ROBINSON:** I am not familiar with who was on the project board. You would need to check that with the agency.

**Mr WOOD:** Would you expect the project board to then have people much more qualified than you may perhaps have on the steering committee in relation to IT?

**Ms ROBINSON:** I would expect the project board to have people much more focused on the business than IT. You expect the IT people to be in the project team running the project. What you want is the advice and information coming to you about their business requirements and their business needs. It is much more that type of focus than it is IT skills. The current steering committee and executive review group we have is not focused on people with IT skills, it is focused on people with a really solid knowledge of the business requirements of the agencies the system is endeavouring to address.

**Mr WOOD:** The project team should have the qualified people?

**Ms ROBINSON:** Yes.

**Mr WOOD:** Was there a project team in the Department of Infrastructure?

**Ms ROBINSON:** Yes, there was.

**Mr WOOD:** Were they all qualified people?

**Ms ROBINSON:** That is a question for the Department of Infrastructure.

**Mr WOOD:** Most of them would have gone back to your department, is that correct? They have moved back.

**Mr HOSKING:** We have moved the project team across, yes.

**Mr WOOD:** Do you know, as they have moved across, if are they qualified people?

**Mr HOSKING:** Yes, and we have brought our program management office to bear as the co-ordinating body over that team. We have put people with ICT project management expertise and business analysis and project management skills in charge of running the project team, and we have taken subject matter experts out of other jobs in DCIS and brought them to bear on this as well.

**Mr WOOD:** You have made up your version of that?

**Mr HOSKING:** Very much so.

**Madam CHAIR:** I was recalling Ms Bradford had – the department had employed someone to take a project director role or something like that and we were asking a series of questions about what qualifications they have, are they suitable for this project, and putting a high level of scrutiny on that role and that individual. Has that carried over with DCIS, or have you employed a new person?

**Ms ROBINSON:** That particular person had another job offer. There are not too many of those people around and they get offers pretty regularly. We do have a Program Director looking after that, and that is the Director of our Program Management office. It is a person we have had in DCIS anyway, and we have just devoted him full-time to looking at this. He runs all of our major IT projects in DCIS.

**Madam CHAIR:** He is the requisite IT, and other experience ...

**Ms ROBINSON:** Extensive experience.

**Madam CHAIR:** Who would he be reporting to?

**Ms ROBINSON:** He reports through to me.

**Madam CHAIR:** I will go back to some of Frank's observations through his reports, also, the PricewaterhouseCoopers' reports. For example, the project board minutes of 22 November 2010 said the project sponsor and the Chief Information Officer were pleased with the audit outcome, and no further project board minutes make mention of the audit.

We are very curious, as a committee, why there was such a lack of concern about the Auditor-General's finding. I know that is at the project board level, but that would have come up to the steering committee. Do you recall reviewing Frank's audits and being concerned about the concerns he had or ...

**Ms ROBINSON:** I cannot recall reviewing Frank's audit reports through the steering committee. I read the reports to parliament when they were done. I recall there being discussion and the Chief Executive, at the time, saying he needed to brief the Public Accounts Committee on the results for it. But, they provided information back to the steering committee that indicated all the issues in the Auditor-General's report were being addressed.

**Madam CHAIR:** Who would be responsible? The Auditor-General does a report, who is then responsible for implementing the findings?

**Ms McGuinness:** The Chief Executive of the then Department of Construction and Infrastructure would have been primarily responsible for making sure any recommendations I had put forward were being implemented. That would have been delegated, then, down to the Project Director.

**Mr Wood:** The department is not bound to follow up your recommendations?

**Ms McGuinness:** No, I cannot enforce it. I can make recommendations.

**Mr Wood:** You would expect if they did not follow those up, they would give a reason why?

**Ms McGuinness:** Well, yes. Departments do sometimes dispute the issues I raise. But, of course, having put forward recommendations, I then want to come along on a subsequent date and see to what extent they might have been implemented.

**Madam Chair:** Ms Robinson, we know the steering committee met regularly at first and, then, less frequently thereafter. Do you know why? Was it because the steering committee was very confident everything was going well, or was it just difficult to get together? Again, they had competing demands on agencies. From reading the paperwork, we find it strange that, even after one of Frank's report which highlighted concerns, the steering committee did not meet for six months after the fact. If you could explain to us why the steering committee met so irregularly?

**Ms Robinson:** Some meetings were scheduled and were subsequently cancelled. The plan was monthly meetings, but some of the meetings were not scheduled and some that were scheduled were postponed.

**Madam Chair:** Of your peers on that committee, no one was particularly concerned about that at the time? It was just ...

**Ms Robinson:** Well, the steering committee would have discussed it when they met. But, the delays between the meetings were something that were organised through the project team.

**Madam Chair:** Who scheduled the meetings?

**Ms ROBINSON:** The project team.

**Mr WOOD:** From an outsider again looking in, would it be fair to say that gives an indication of a lack of interest in this project, or a lack of understanding of the importance of the project?

**Ms ROBINSON:** It is hard to interpret the reasons now, in hindsight, and difficult for me because those reasons belong to the project team at the time. I would only be guessing. I suspect it was not so much a lack of interest, as maybe very busy on other things. That would be my guess.

**Mr WOOD:** Could that be another thing we need to look at, if we are going to have projects of this magnitude that ...

**Ms ROBINSON:** Absolutely.

**Mr WOOD:** ... you make sure you pick people who can find the time, who are not snowed under with other work?

**Ms ROBINSON:** Absolutely. Having a steering committee entails a fair bit of preparation work. There are papers to put together, follow-ups, information that needs to be provided. You have to make sure the issues registers are done, ready and available, and risk registers and so on. There is a fair bit of work in that. In hindsight, when they are not happening it is more of an indication of how much work has to be put into that and what other things the work is being devoted to.

**Mr WOOD:** Do those committees have secretarial support to operate?

**Ms ROBINSON:** As far as I know yes, but that is a question for the project team.

**Madam CHAIR:** DCIS has now placed significant resources and significant emphasis on getting towards the stage gate in February. Your department is highly alert to the fact this is very important and needs resources. Who determines that level of priority on the project? Is it coming from your minister, is it coming from the CE? How do you determine when you need to place so much emphasis on something?

**Ms ROBINSON:** It is hard to describe that by relating to any one individual thing. If you are paying a lot of attention internally, within internal meetings - we meet weekly on AMS and



go through a raft of issues and we would keep track of any of the key issues that are going on. Anyone who said, 'Hey, there's a problem emerging here', you would be paying attention to it. I suppose any agency in any scenario has multiple priorities and multiple things to juggle, and that is part of the discretion and experience of the chief executive and senior managers to say, 'We need to put more emphasis on this bit here', or 'This one needs to take a priority over that one'. Clearly, it is not hard for us to work out AMS needs to be our priority in this agency at present, and that is the way it is, but it is really a judgment call at the time.

**Madam CHAIR:** Yes, it is such a shame that same level of emphasis was not placed on this project by all CEs at the time, or executive directors, whatever it might have been. For one reason or another it seems like the gravity and enormity of the project was missed and, as a result, we are here years later talking about a stage gate for February. It is good your department is now prioritising the project nonetheless.

What was the role of the project sponsor?

**Ms ROBINSON:** The project sponsor role is to oversight the project and be a champion for it in a way – to take carriage of it at a very senior level.

**Madam CHAIR:** Do you know who the project sponsor was?

**Ms ROBINSON:** I am not sure off the top of my head. I would have to check.

**Madam CHAIR:** In March 2011 PricewaterhouseCoopers commissioned their review. Do you know who commissioned that review?

**Ms ROBINSON:** No, I do not.

**Madam CHAIR:** Going back to the Auditor-General's report, do you know who would be responsible for addressing the recommendations in that review?

**Ms ROBINSON:** The agency.

**Madam CHAIR:** DoI?

**Mr McGuinness:** I was just about to say the same thing. The primary responsibility would rest with the department of what was then Construction and Infrastructure, but that would be delegated down to the project director who has primary carriage for the project.

**Madam Chair:** It is interesting. In your view, Ms Robinson being on the steering committee – you said DBE were reasonably engaged and you had seconded people and things like that, in your view the project was tracking – did you have any major concerns at any point during the project?

**Ms Robinson:** From the information provided to the steering committee around – as you can see from the minutes very few issues were raised. There was not a lot in there to send alarm bells through to the steering committee at the detailed level. Some of the issues have emerged since around the detailed design decisions, and what that was relating to in workflow and work requirements now were not apparent at all at that point.

**Ms Manison:** Going back to the reporting internally to make sure the business objectives were being met by the system going forward, during the project life, within your own agency, within DBE at that time, was it something where, in your senior management meetings you would touch on the progress of the AMS system?

**Ms Robinson:** At points in time, yes. It was not a standing agenda item or anything, but it was something that came up for discussion every now and then.

**Ms Manison:** Given you now have carriage of the project, would that be an expectation you would have of each individual agency involved going forward; to make sure they do have the AMS system as a standing item on their senior management meetings to ensure they are adequately working on the system, providing the right advice, and checking that, for the person on the front counter entering the data, the system is working for them?

**Ms Robinson:** The key business agencies, yes – the key agencies affected by the system. Again, that is a decision for those agencies.

**Ms Manison:** Okay.

**Ms Robinson:** If you look at large agencies like Health and Police and others, they will have many other things on their list. They will make a call as to how they address this within their own internal arrangements. But, we are looking to have detailed dialogue with the people concerned such that they have enough information. How they run it within their own agency is at their discretion.

**Ms MANISON:** Thank you.

**Madam CHAIR:** So, DCIS still does not have any overarching - power is the wrong word – but, obviously, you guys are controlling the overall project going forward and other agencies are affected by this. No matter what way they want to skin the cat, this is going to affect them. Yet, DCIS still does not have power to say, ‘We need your buy-in, Housing’, or ‘We need this, you are going to commit these resources to this project’.

**Mr HOSKING:** What we have is all of the major agencies which have large asset portfolios represented on our government’s committees. We are also at that level of engagement with agencies - at the Tier 1 or the agencies who have major asset portfolios. We are meeting with them fortnightly through our PMO to look at their business requirements and factor them in and make sure they are being met. We have regular dialogue going on with them.

What they then go and do with that within their agency, we can attempt to influence and set the priorities, but we do not control it.

**Ms ROBINSON:** The agencies are engaged in this, and we are not experiencing any difficulties with lack of buy-in or lack of interest from agencies.

**Madam CHAIR:** Okay.

**Mr WOOD:** Not coming out of the public service area in my life, I sometimes wonder you could have a matrix that shows you how people in IT operate within the whole system. The police, obviously, have their own IT group. How do they interconnect with you people or other people? Is there some organisation that I can see in a matrix form that tells me how it all operates?

**Ms ROBINSON:** We can probably provide you that later, once this framework is approved through the government. But, there are a range of meetings and forums that happen now. There is a CIO forum, standing for Chief Information Officer, where the Chief Information Officers of all of the agencies get together on a very regular basis and work through a series of issues. We provide papers and information to that forum, including briefings on the AMS project. There is a raft of information. Information exchange can work both ways through that mechanism. That is one, and there are a number of others.

**Mr WOOD:** If you have an upgrade of a system like the GAS system, as everyone seems to find a way of upgrading some systems - I do not know whether it is to make money or actually improve anything - that committee would discuss that upgrade ...

**Ms ROBINSON:** If we were to upgrade the Government Accounting System, which is something we will have to do, we go and canvass with agencies all the way through before we do it. We particularly canvass with every one of those agencies that has a business system that interfaces with the Government Accounting System. We talk through with them the issues. We also talk through with them around timing, because they might be needing to do upgrades on their system, and we need to ensure the times do not clash. So, we work around the timing and their requirements. If they have any issues with it, then we would do a similar concept here. We would set up a steering committee and technical groups, and things like that, and we would have groups that have each of the agencies represented on it and ...

**Mr WOOD:** You more or less use the existing ...

**Ms ROBINSON:** ... be quite specifically on that.

**Mr WOOD:** ... framework to some extent to introduce AMS?

**Ms ROBINSON:** Yes, but we would use very specific groups with very specific areas of focus, and we would ensure every agency that needed to be represented - when we run projects we have agency reference groups and things like that where we run all of the changes and ideas past the agencies and get their input to them and before we put any of them into systems development.

**MADAM CHAIR:** Obviously, we are holding this inquiry because it is expenditure of taxpayers' money and we do not want to see, in the future, these types of ICT blowouts and disasters happening again. Going back to the agencies working with DCIS, in your opening statement, Ms Robinson, you mentioned DCIS will be putting together a framework for ICT projects into the future. That is fantastic, and we intend to make our own recommendations to government about where we see the pitfalls in these projects and hope those are taken up. I am concerned if DCIS do a lot of work and put together a comprehensive framework to address ICT projects in the future, what if an agency, say the Department of Housing as an example, want to do an ICT project in the future - what enforcement, as DCIS, do you have in ensuring they follow your framework?

**Ms ROBINSON:** Currently, there is none, but it was one of the things I mentioned that we are proposing for the new frameworks and there are two angles to that. One is when we put the proposed framework together, which we have talked to agencies about extensively - we have visited them all multiple times on it - that would go through a formal Cabinet process so

every agency will have a chance to have input to it. It will come out with the authority of a government decision. In that context we are also looking to build a series of Treasurer's Directions around ICT investment, ICT projects and the management of those projects. That would provide some legislative authority for it. Whether that is DCIS or other people - and it will specify the compliance requirements for agencies as well.

**Mr WOOD:** They would be major changes. If someone in the department of Environment wanted to bring in a program to check out the number of species of cockroaches in the Northern Territory they will not be asking you.

**Ms ROBINSON:** No.

**Mr WOOD:** It is for the major projects?

**Ms ROBINSON:** It is major, high risk, high value projects only.

**Mr WOOD:** Okay

**Madam CHAIR:** Who determines the status of a project?

**Ms ROBINSON:** That would be part of the criteria specified in those directions.

**Madam CHAIR:** We know there was inadequate resourcing on this project. During the tender process Fujitsu indicated the NTG would need to allocate 15 full-time equivalent staff to this project, but the government only committed 7.6 full-time equivalents. This is a significant gap and we expect such a significant gap would have an adverse impact on the success of the project. Do you know the rationale for this under-resourcing?

**Ms ROBINSON:** No, I am really not across that.

**Mr WOOD:** With that last question, one of the puzzling things about the AMS is why there were not stronger responses to the high level issues raised? I do not know whether we covered that earlier, but it is a concern if someone raises an issue and nobody makes a big deal of it and it is dropped. Is that a danger, or could I put it the other way round and is that one of the reasons the ball was dropped here and nobody was taking a great interest in what the Auditor-General was saying?

**Ms ROBINSON:** If the issues are raised and they present a significant problem – they are a very high risk –they will create huge issues for completion of the project, then it is dealt with in that context. If the issues are raised in the context that we have a report, we are going through it, we are dealing with all the issues, they are being addressed in that respect, that does not send alarm bells to the steering committee.

**Mr WOOD:** Even if the Auditor-General sends out those alarm bells?

**Ms ROBINSON:** It is also about the agency's response to that. The Auditor-General will often provide reports to us that issue things and, then, if the agency has to go through what processes it is dealing with to address those issues, and if it outlines a series of processes it is going through and working to address it, you would expect that is what is happening.

**Mr WOOD:** But if all those reports we had, including the PricewaterhouseCoopers' report - and there were a number of reports that came in and kept saying there were issues - would it be fair to say there were failings in the system, by either the steering committee or the project board, in getting down and dealing with those matters in a timely manner?

**Ms ROBINSON:** Yes.

**Mr WOOD:** That is something we would also have to look at, as well?

**Ms ROBINSON:** Yes, for sure.

**Madam CHAIR:** Are there any other questions? There are no other questions from the Public Accounts Committee.

I thank the Department of Corporate and Information Services - Ms Robinson, Mr Hosking - for taking the time and the preparation necessary to meet with us today.

Next, we will call on the Department of Infrastructure, but first we will have a five-minute break.

Again, thank you very much, and thank you also to Frank McGuinness.

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The committee suspended.

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The committee reconvened.

**Madam CHAIR:** We might get started if Department of Infrastructure could please come forward.

On behalf of the committee, I welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee, Mr David McHugh, the Chief Executive of the Department of Infrastructure, and Ms Wendy York, the Chief Information Officer. 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 and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. 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 what you will say should not be made public, you may ask that the committee go into a closed session and take your evidence in private, and we are more than happy to do that.

I 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. Witnesses, could you please state your names and the capacity in which you are appearing.

**Mr McHUGH:** David McHugh, Chief Executive, Department of Infrastructure.

**Ms YORK:** Wendy York. I am the Chief Information Officer, Department of Infrastructure, but I was involved in the AMS project.

**Madam CHAIR:** We also Frank McGuinness, the Auditor-General appearing. Mr McHugh, would you like to make an opening statement?

**Mr McHUGH:** Yes, I would. I have only been in the department - this is my 6<sup>th</sup> week as Chief Executive - so I have not been directly involved in the AMS project from its initiation through until now. The role I see for me in AMS is to continue to make sure the department uses AMS because we have to; there is no alternative for us to make progress payments to contractors and clients so the focus, from the department's point of view, is to ensure the systems we are working through with AMS work in an effective way. There are some

difficulties with it. It is not user-friendly so there is no alternative and, if it was decided to replace it tomorrow, we would not have a revised system in place for probably three years. There is no alternative but to make it work so the focus of the staff within the department is to work with DCIS to make the system work as effectively as possible.

**Madam CHAIR:** Thank you. Ms York, perhaps you could explain to the committee your involvement in AMS. I believe it is a bit longer than Mr McHugh's.

**Ms YORK:** Yes, I was in AMS more than six weeks - closer to six years. I was involved in AMS from the inception of development of the tender through to go live and, subsequently, for about eight months after go live.

**Madam CHAIR:** What is your role now with AMS?

**Ms YORK:** I am the Chief Information Officer and I have no involvement with AMS at all.

**Madam CHAIR:** DoI had carriage of the project up until very recently as you mentioned, Mr McHugh. It has now been transferred to DCIS and now you are a client of DCIS, is that ...

**Mr McHUGH:** We are probably one of the biggest users of AMS. If you look at the capital works programs and maintenance programs, all the payments and that type of thing go through AMS. Obviously, we are very keen to ensure the system works in an effective way for us. Currently, it is not as good as I would like.

**Madam CHAIR:** What is the level of engagement between your department and DCIS to ensure DoI gets the best product or the product it needs?

**Mr McHUGH:** We are applying whatever resources needs to be applied to work with DCIS to get the correct outcomes. It is discussed regularly within the department at all levels, from lower level admin people through to me probably three or four times a week. I brief our minister once a week on where we are. We are intimately involved in the whole process and will continue to stay that way until it delivers the outcomes we require.

**Madam CHAIR:** Do any of your staff or you sit on any of the governance committees DCIS has set up?



**Mr McHUGH:** Yes, I sit on the CEO's governance committee and I have an Executive director on the next level down.

**Madam CHAIR:** Could you flesh out for us to what extent AMS is meeting DoI's needs right now?

**Mr McHUGH:** AMS is meeting DoI's needs in making progress payments to contractors. We are entering the data, it is being processed, and then it goes through to GAS and the contractors are being paid.

In an executive reporting system, it does not provide me with cash flows or any of the standard information I need as a senior manager to manage programs. We have to download detailed data out of AMS, put it into Excel spreadsheets then manipulate the Excel spreadsheets to form management tools we can use to manage the government's capital works and maintenance programs.

**Madam CHAIR:** Is it envisaged AMS, at the completion of the project, should it achieve completion, would be able to provide the data you need that you are currently manually doing?

**Mr McHUGH:** Yes.

**Madam CHAIR:** Have you experienced any difficulties with the progress payments, or are they overly cumbersome? That component of the system is working well?

**Mr McHUGH:** It is. I am not familiar to the extent I would like to be, but I will be in future once I get clear access to the system. A lot of the requirements in putting expenditure against assets is being driven at the very low level, the component level, rather than the high level. That requires inordinate application of data to those components, which I do not believe is useful or helpful in the effective management of assets for government. It is time-consuming, and a waste of space.

**Ms FYLES:** I am not sure if now is the correct time to ask, but I feel we are moving on in the conversation. Part of the PAC's role is to look at whether there were lessons learnt for any future projects. I guess what is, is and we need to work within that as best as possible. Obviously, being relatively new to the department, you may not be able to answer this today. Wendy may be able to add detail. How did the department manage the implementation project? As one of the biggest users, to be left with a system you say is not as best as it could be or suit your needs as much as possible, are you aware of the previous

implementation involvement so we can see where the gaps were in dealing with this project within government, so we can make some recommendations, hopefully, so it does not happen in the future?

**Mr McHUGH:** I would be talking as if I was running the project from Day 1. I would put a cap on the level of expenditure that was going to be made ...

**Ms FYLES:** Sorry, my question was more related to the department's involvement from Day 1. What was that? I just do not have any of that background detail.

**Mr McHUGH:** Well, the department's involvement from Day 1 was it was driving the whole project because the system they had, which was the Asset Information System, had long past reached its life of usefulness, even though it was still being used and probably a lot easier than the current system is.

**Ms FYLES:** Regarding the practicalities, I am not sure if it is something you want to take on notice, or if Wendy can provide us with that information. Do you have any recommendations from your department to us, as a committee, because we are looking at whole-of-government projects in this asset management space and what recommendations we can make into the future? Obviously, technology will move on and in 10, 15 - I do not know the time frame - the government will be looking towards different systems. We want to have some lessons learnt, and procedures advice we can recommend to government agencies into the future. I do not know if you want to take that on notice or if Wendy has any thoughts?

**Mr McHUGH:** The current AMS system, as it was developed, was trying to be too much for too many people. It took on board the expectations of many client organisations about asset management. I do not think that is a very smart thing to do. It became bigger than Ben Hur, and there should have been separate systems to address the various issues relating to asset management.

**Ms FYLES:** There was not a clear enough direction from departments on what they were after. At some point, the group that was looking after the project was saying, 'We are getting too much here, we need to step back and focus on what the task is.

**Mr McHUGH:** Yes. They should have done some value engineering through the process to refocus on what was deliverable and what was going to provide the best benefit to government for the value of money that was going to be spent.

**Ms FYLES:** Thank you. I believe it is important we are focused too. We are looking at history and what possibly could have been done but, also, as a committee we would like to have recommendations to government in the future. I appreciate those thoughts. Thank you.

**Mr WOOD:** I was going to ask you, Mr McHugh, to continue where you were in relation to capping. You, obviously, had some views on what could or should have happened. You were saying the government should have probably capped the project.

**Mr McHUGH:** I thought it should have been run like any capital works project or anything like that we normally do. That is the bread and butter in the Department of Infrastructure where you have a budget and if the school wants 20 school rooms and there is only a budget of so much money, you go back to Education and prune the project to suit the budget provided by government. You cannot just keep on building things because people like it. In this instance, people were allowed to expand their expectations without somebody saying, 'That is the limit, we are not going past that. We need to review what is deliverable.'

**Mr WOOD:** Some of that may have been from something we found earlier in the day: the steering committee had not always met on a regular basis. They did at the beginning but did not later on.

I was going to ask Ms York if she sees some failings in the way the steering committee operated and whether that had some relationship to keeping control over the cost blowouts?

**Ms YORK:** I agree that the steering committee did not operate effectively in meeting regularly enough. The board did. The board met on regular occasions, almost every two weeks, as can be seen from the minutes. Things were escalated within that Project Board, like the lack of resources on the project, which has been noted by everyone on this and Frank, the Auditor General - that the Project definitely lacked resources. Resources were highlighted to all members of the boards, and all members of the boards could have made a steering committee happen through their escalation path. The executive director was the linkage between the board and the steering committee. Gate was in control of scheduling that steering committee.

**Mr WOOD:** Do you know why the steering committee did not meet?

**Ms YORK:** No.

**Mr WOOD:** We tried to find out in earlier hearings why they were not meeting.

**Ms YORK:** No.

**Madam CHAIR:** Ms York, if the project board were discussing the lack of resources we all know became a significant issue for the project, could you explain how that would work? The project board would meet, you would perhaps discuss one of Frank's reports, and then what would happen?

**Ms YORK:** We would meet every fortnight and would talk about the risk register as well as the issues register, and both highlighted resourcing was not adequate. We would talk about that and it would go back to Cate, as Executive Director, to determine what to do on that. Cate would go to Al, who was the CE at the time - sorry to use names - and they would then determine what would happen.

After Frank's report in November 2010 - five of his recommendations were lack of resources, and that was mainly from myself and Amanda who were on the project highlighting we did not have enough resources. That came out clear. Al and Cate made a decision as to how they would address that. The PWC audit came through at the same time very much in the linkage - you had the audit then you had the PWC. The PWC report recommended the PMO and the resources and planning, and Cate was then directed to be more involved in the project like as an Executive Director. She took control of the overarching bit of the project and she and Al determined the resources of everything going forward.

**Madam CHAIR:** When the Project Board would advise Cate, how would that work? Was she part of the meeting?

**Ms YORK:** She was part of the Project Board.

**Madam CHAIR:** The Board would direct her to make a decision on this issue.

**Ms YORK:** I think you will see in the board meetings that she was responsible for the Cabinet submission for resources and that would have gone through our Board- you have to remember at the time - I have highlighted this in my notes I have here - we had an Full Time Equilivant imposed across government. An FTE cap was put in place so agencies could not go above the level of their resources. You had tightening of the budget across the board, plus the FTE cap, a brand new CEO at the time, so all these external influences were playing on this project that needed resources.

**Madam CHAIR:** I do not know if the project board was involved in discussions with Treasury, but I know sometimes there was liaison with Treasury and Treasury was saying, 'Just find the money in your budget'.

**Ms YORK:** Yes, that is exactly what happened. Where a Cabinet submission was drafted, I believe we spoke to - I am going to say Kathleen - or the Executive of Shared Services, as she was at the time, and with Treasury at the time. The budget, the resources, and the business case said we would go to \$28.5m. The business case stated that as a new cost to the project. That was all put to committee, to Treasury and DCIS at the time, then it was determined that a Cabinet submission was not appropriate, and we were asked to fund from within.

The agency was then formed as an agency. So, we then separated from DLP, - the names change - and that then created an additional stress on that agency. We then had to have all the corporate services and fund for that from within. The agency was under a great deal of pressure to fund things from within and, as far as I know, no Cabinet submission or ministerial was made. However, I am not privy to that. As soon as Cate was put in charge after the audit report - not that she was not in charge before, but she was directed to be more involved - I was then excluded from any further budget discussions, at all.

**Mr WOOD:** Could I just clarify that? I believe we asked this before. Was all of the extra money for this project coming from within the Department of Infrastructure at that time, or was some money coming from the government making a decision to put more money into the system?

**Ms YORK:** I believe it came from a Treasury Advance at the end of the financial year, but I am not sure. We would just spend the money and then a Treasurer's Advance was made into the project.

**Mr McHUGH:** So, basically, there was additional funding provided by government.

**Mr WOOD:** Up to where we are at this stage, or was there some money used, or you had to divert or withdraw ...

**Mr McHUGH:** It was a combination.

**Ms YORK:** A combination.

**Mr McHUGH:** I believe there were savings made within the department, plus additional funding provided by government.

**Mr WOOD:** Is it possible to find out what that break-up is? Government will, obviously, say this project has cost X amount of money that had not been budgeted for. That is fair enough. But, the other side is, of course, we might have lost some projects because internal money had to be used for the project. Is there any way we can find out?

**Mr McHUGH:** We can find out exactly how much additional funds were provided by government for the project through the department ...

**Mr WOOD:** Through the department?

**Mr McHUGH:** Through the department. But, in savings made within the department, it would be pretty hard.

**Mr WOOD:** I suppose we could do a theoretical subtraction. If that is the extra money put in and we know the project has cost this much, then the rest would have, obviously, come out of your internal budget. I am not sure that makes good accounting.

**Ms YORK:** AMS had an ongoing budget, so all that ongoing operational expenditure went into the project as the years progressed.

**Ms MANISON:** Going back to the issues - clearly, Ms York, you had some concerns as a board member on the project board that you would then elevate to the steering committee, whether or not the steering committee would elevate that to the Chief Executive. Being on the board, you knew there were issues going up the chain, so to speak. Did you get any reporting back to say how those issues were followed up, in your capacity on the board?

**Ms YORK:** Only through talking directly to Cate ...

**Ms MANISON:** So, there was no formal ...

**Ms YORK:** ... and in the agenda for the board meeting you had 'status of Cabinet submission'. That was one of the action items in the back of the board meetings.

**Ms MANISON:** In the issues, because I imagine there was a bunch of different issues raised, whether it be staff resourcing or just an operational matter to do with when someone tried to enter data about how to pay a bill and it was not working - that type of thing. Would you say there would be something in the future where you would need to have some form of formal reporting back on outcomes on those issues, down to that nitty-gritty-type detail, or to the big-picture-type detail?

**Ms YORK:** The nitty-gritty-type detail about not paying an invoice would have come out of the agency reference groups that were running at the time, and through the control group. There was actually a three-tier process in the meetings for the project. We had a control group which was the AMS team. We had the Project Board, which was the mix of all agencies, and then the Steering Committee, which was the higher executive level. The project had a solid issues register and then you could specify the level that that issue went to - whether it remained at the control group, went to the board level, or went to the steering committee.

**Ms MANISON:** Were you satisfied with how that went at that time.

**Ms YORK:** Yes. One thing I would say is I should have possibly put more to the board and more to the steering level, but you are governed by what your directors advise they will let go to the next level.

**Mr WOOD:** Is that control group the same as the project team?

**Ms YORK:** Yes, the control group was all the team leaders on the project team, including the system integrator and the NTG resources that were involved.

**Mr WOOD:** DCIS called it another name but it is the same thing?

**Ms YORK:** Yes, the same. On top of that, as we got into training there were agency reference groups in each of the agencies, like the Department of Transport. The Department of Infrastructure had an agency reference group separate to the project team, so did Housing.

**Mr WOOD:** When it went to tender, who drew up the tender plans and did they include all these costs? Surely you have to include the cost of the training, and there is a cost to the department as people are not doing their normal work, they are training to use the system. Who drew up the tender documents at the beginning?

**Ms YORK:** Tender documents were developed - initially there was a business case developed in 2005-06, and a consultancy company did a high level review with all the agencies, spoke to them and developed a high level requirements document. That document was developed further with the individual agencies. Workshops were run and people talked about what they wanted the system to do. A framework was developed on how you did asset management end to end. It was like cradle to grave asset management and that was the direction of the government - to actually manage their asset from cradle to grade. That means from the moment I plan and think I am going to build an asset to the moment I dispose of it. The concept was to have a framework that managed it totally, and that included all the project management, the program reporting, the capital reporting, the assets and how they are depreciated, and the financial aspects of them as well. All that was workshopped with the individual agencies and all signed off at an executive level through DLP and the various agencies such as Transport and Housing.

**Mr WOOD:** Mr McHugh said this should have been treated like any other project. Who did the costing so they knew what figure they would expect to come back for a tender price?

**Ms YORK:** When the original business case was done it was \$7.2m. It was not re-costed when the requirements were done, but when the bids came in from industry they were all above the \$7.2m business case. All the bids were above. We went straight back to the AMS Steering Committee and said, 'What do you want us to do?' The Steering Committee, which included the executive and Treasury, Housing and Department of Lands and Planning at the time because it was DLP - the CEO and the Deputy Chief Executive, the finance officers were included, including Housing and Treasury, 'What do you want us to do? Do you want us to go forward and assess it, or do you want us to say it is too much?' It is above the business case, do not move forward.' A decision was made that we would evaluate the tenders. After the evaluation was complete we went back to the Steering Committee for a further decision as to whether or not we would proceed.

The Steering Committee made the decision to move forward and continue. The business case was revisited. The business case then moved to \$14.8m, which was the bid. Training for the project was always to be funded from the individual agencies so that was not included in the business case - the dollars to deliver that training. The agencies would be responsible for training their own people in the system, which is probably one of the biggest lessons I have learnt out of this. If you have a project you should manage and control the training because that is one of our failings. Then it went to \$14.8m so that was agreed. Treasury signed off with a ministerial to fund the Project to that level at that point in time before we signed the contract.

**Mr WOOD:** Was that the lowest tender?



**Ms YORK:** All the tenders were – oh, no, one of the tenderers was a bit higher than the others. The other two tenders were similar in price. They were assessed based on their respective capability. Can I talk about the other tenders?

**Mr McHUGH:** Without naming them.

**Mr WOOD:** Without naming them, yes.

**Mr McHUGH:** Yes, just on capability and performance rather than ...

**Ms YORK:** One of other tenderers delivered limited functionality compared to the spec, and required additional products to make it work. So, SAP, AMS, delivered the whole end-to-end philosophy of how it would hang together, whereas some of the others were more custom built than AMS.

**Mr WOOD:** Quickly, when that tender was approved, did Fujitsu - we can say them ...

**Ms YORK:** Yes, Fujitsu.

**Mr WOOD:** Did they say as part of their tender they would require X number of people to work from the government?

**Ms YORK:** Yes.

**Mr WOOD:** If you accepted that contract, are you saying you did not – not you personally by the way – the government did not accept its share of requirements of that contract?

**Ms YORK:** The feeling was that in the tender, when we went to tender, we had actually specified exactly how many resources we would provide to the project.

**Mr WOOD:** What number was that?

**Ms YORK:** Five.

**Mr WOOD:** And they wanted 15, was it?

**Ms YORK:** Yes. When we put in the tender, we said, 'These are the resources we will bring to this project. When you bid for this project, you need to take into account that is all we are going to provide.' When they bid they said, 'Mm, you need one for every single module, and more with change management and training'. We said, 'No, we said we would provide these five resources, and these are the roles we said they would do.'

**Mr WOOD:** They accepted the contract knowing you were only going to provide five?

**Ms YORK:** We always provided above that. We always had more people on the project team than five.

**Madam CHAIR:** Can I go back a little, Ms York? You mentioned the tender was put together and originally was scoped at \$7.2m. Then, when the bids came in they were above that. When you said then, you took it to your head, is that the project board you guys went to ...

**Ms YORK:** There was not a project board at that time.

**Madam CHAIR:** At that time.

**Ms YORK:** There was actually a steering committee and what was called a reference group. The steering committee made those decisions.

**Madam CHAIR:** Were you on the steering committee, or were you on the reference group?

**Ms YORK:** I was on the reference group.

**Madam CHAIR:** You were on the reference group. You took it to the steering committee and said, 'The options are we pick one, but it is much higher. We do not go ahead because it exceeds our limit, or we evaluate. So ...

**Ms YORK:** And come back to you.

**Madam CHAIR:** Yes, so the steering committee said, 'Okay evaluate'. When you evaluated it, what was involved in that process? What were you evaluating – the cost or the service?

**Ms YORK:** Functionality. The functionality of the system. The tender had, believe it or not, 792 requirements and it was split into various areas. All of the functionality that was required for cradle to grave asset management was included.

**Madam CHAIR:** Then, did you guys provide a report to the steering committee on your evaluation?

**Ms YORK:** With evaluated cost, value for money, benefits ...

**Madam CHAIR:** Then Fujitsu was selected?

**Ms YORK:** There were three tenderers. Yes, Fujitsu was selected.

**Madam CHAIR:** Yes, okay.

**Ms MANISON:** Going into that planning phase before you went into tender and so forth, clearly, you did a lot of work with the other agencies to try to get an understanding of what their business requirements were in going forward, to know you were tendering for a certain product that would, hopefully, be functional in that regard. In the previous meetings we have had, or the last hearing, Ms Bradford states that IT-wise, the product was technically doing what it was meant to be doing, but business performance-wise it was not meeting the requirements.

In those early stages of the planning before you went to tender, did you feel there was enough work done at agency-to-agency level to get a real grasp of the business requirements to ensure when you were going to that tender process you were going to get the product that you needed to work?

**Ms YORK:** I believe there was. If I pick up this RFT, it is very much in line with the standard wording in the RFT that says 'this is a requirement of a high level, this is a must, these are desirables'. The wording of the whole RFT uses very consistent wording for every business requirement that determines whether it is a mandatory or not a mandatory – not a mandatory; you cannot have mandatory because, if you fail a mandatory, you are non-conforming bid. It actually levelled the various requirements of the business. So, yes, it definitely did include all the functionality that was required.

**Ms MANISON:** What I am trying to get to is the bottom of - after the product was chosen, you felt the planning and the time taken prior to that tender phase was adequate. They felt they had a good understanding of what it was they needed after that. Was it working on the project after that where we came up with the issues? Clearly, there were operational issues coming up about how the system was working. Was it the phase after that they entered into where the main ...

**Ms YORK:** We then negotiated and signed a contract with a fixed price for the blueprint phase. The blueprint and the contract deemed we would use best practices because the philosophy was we were no different to any other government agency in the fact we manage assets cradle to grave where there would be standard best practices implemented. When the blueprint started we operated from a phase that these are the requirements but how does the standard product fit those requirements? That created a lot of feeling by the business that we would not change anything, but we obviously did because the Northern Territory Government has very explicit specialised things such as NT Build, how we do our program management, and not all the SAP modules had best practice. Best practice, whilst in some of the modules, does not cover all modules.

We demonstrated best practice in the design phase and where we could do best practice, we stuck to best practice. Business was given the opportunity to say, 'Yes, that would fit', or 'No, it would not fit', but it was very conceptual. When you are in that design phase you are conceptual.

**Madam CHAIR:** The detail must be very complicated. Ms Robinson was saying earlier some components of AMS are extremely cumbersome and time consuming and I asked was that something DCIS is looking to streamline. Her comment was, 'Where we can we will, but it is like the foundations of a house, if they are built that far into the system we will never be able to change them'.

I am wondering if that comes back to some of your comments, Mr McHugh, about bits of it working but it does not work that great, is very time consuming and is, generally speaking, hard to use.

I do not know, Ms York, if you were involved at that detailed planning level or whether you saw that as something that would be a problem in the future.

**Ms YORK:** As we got into testing the system things were identified, like this process payment David talks about, which has quite a number of steps in to get the payments made. Options were provided to the business, but the business was required to change to take advantage of those options, get their commitment levels into the system, but there did not seem to be the drive to change, to follow the best practice and the way it was done so they

would get commitment on their projects, change the processes, use the segregation of duties so the administrative clerk cannot make the payment all the way through. There did not seem to be that drive in the business to change.

**Madam CHAIR:** The best practice product was there, but the public service systems were not geared up to speak to those newer ways of doing things so when it was offered, the public service was resistant to change its procedures so it could fit with this. They could not talk to each other.

**Ms YORK:** No synergy of ...

**Mr McHUGH:** There needed to be significant change in the processing of the way people used to operate in the past. You all know change is always difficult to implement, particularly within the public service. However, it does happen, it can happen, and it will have to happen for us to move forward with AMS because we have to use it and we have no alternative. Those changes will take place.

**Madam CHAIR:** Did they not take place because there was not enough drive from the CEO down, or it did not make it to the steering committee? What was the nutting out process of that?

**Ms YORK:** I do not know whether I was across all that.

**Mr WOOD:** We are talking about a contract which has blown the budget and we are looking at whether that is to do with the way it was set up in the first place. Are you saying part of the problem is not so much the new AMS system, but departments were not willing to adapt to fit in with it?

**Ms YORK:** There is no significant change in how they do their business to take advantage. I have some example here – haven't I? - that there are no maintenance planners in place. So, if you were implementing cradle to grave asset management and you had all those work requests coming in, you would have maintenance planners who actually looked at all the work coming in and said, 'I have a paint job for Education at this site; I have a paint job for the Health Department. Let me bundle them together and make it a contract that will produce those efficiencies in that community.' You do not have that. The agencies do not have maintenance planners. Every job is treated individually.

**Mr WOOD:** I have heard that on ...

**Mr McHUGH:** Could I just comment on that? We do have period contracts ...

**Ms YORK:** Yes, we do.

**Mr McHUGH:** ... across government that apply. It can be painting or plumbing or whatever. The issue is not so much amalgamating all the painting jobs. The reality is we have to respond to the needs of clients and we have to respond effectively. If it is a school, a hospital, a health centre, or something like that, you have to weigh the consideration of getting in and doing the work at the appropriate time. It is very important. So, it is not as easy to just pick out the most cost-effective way to deliver something, considering service we are providing across a myriad of client departments. We have to take on board their special operational needs.

It is not always as easy as ...

**Ms YORK:** Putting in a planner.

**Mr McHUGH:** ... putting in a planner and accumulating stuff and then pushing it out. That can happen and does happen if we are talking about road maintenance, or re-asphalting sections of the Stuart Highway. We have just had a major period contract go around and do all Stuart Highway and Stuart Park and other places. People got a bit upset because of traffic management, but the reality is where we can do it, we do it. However, we still have to respond to the needs of our customer base, and that is very important.

**Madam CHAIR:** AMS was designed to have that kind of capability, though, and it is just that we are not working in that kind of space?

**Mr McHUGH:** I would say we are working in that kind of space. I think some of the processes within AMS are not as flexible as we would like. That is the issue we have to work through from a processing point of view because, obviously, we have to use AMS and will continue to use it for at least the next three years even if, as I said before, they decide to trash it, because it will take them three years to replace it.

**Madam CHAIR:** With the go-live it removed all the legacy asset systems, did it not? They do not exist anymore?

**Mr McHUGH:** No, they exist but they have been turned off.

**Mr WOOD:** I just did not quite finish where I was at. I wanted to know whether the system could be better if people accepted the change. Is that what you are saying? There are some problems with the actual system but, if change was accepted, then we might not be as badly off as we are at the present time?

**Mr McHUGH:** Yes. The point Wendy was making in training of staff and getting them to accept the new systems is a fundamental in the way forward.

**Mr WOOD:** Should that have been in the contract - that training? Or you would have done internally?

**Mr McHUGH:** It should have been allocated somewhere. It should have been in the overall project budget. Whether you have the training in Fujitsu's contract - you probably would not because there should have been an allocation within the overall budget.

**Mr WOOD:** And there was not?

**Mr McHUGH:** There was not, no.

**Mr WOOD:** That is another issue we need to look at.

**Ms YORK:** Change management was not fully catered for in the AMS project team either.

**Madam CHAIR:** That takes me to my next question. In the contract, a business process change manager and a change analyst were to be employed from the commencement day of the contract. You are saying that did not happen?

**Ms YORK:** We had a business process change manager. It was one person, so there was Amanda and myself mainly.

**Madam CHAIR:** You were involved in that change?

**Ms YORK:** I had to do that. Even as director I had to do that work because we did not have the resourcing capability.

**Madam CHAIR:** That came into play in 2011. How was that change management looked after before that time if it was?

**Ms YORK:** It was not.

**Mr WOOD:** Because the department took on this project, and we asked before why DCIS did not take it on, how much did this suck out the resources of your department which would have been building Tiger Brennan at that stage and a few other big projects? Did this have a big effect on the running of the department?

**Mr McHUGH:** It would have because an executive director was more or less sidelined to work on the project and she had other roles to undertake as well. It would have had an impact on the operation of the organisation. The delivery of projects such as Tiger Brennan Drive, works at the hospital or something like that are handled by other people within the organisation, but the Executive Director who was directly involved in this was involved with looking at asset management issues across government and policy areas and stuff like that. A lot of that was put on the back burner, or where it was urgent it was handled by others. You get something dumped on you and you have to manipulate your resources the best way you can to deliver the outcome. However, it would not have affected the roads program, capital works on the hospital, or things like that.

**Ms MANISON:** Given you are still a big user, one of the biggest agencies in using asset management systems, how many full-time people do you currently have working on the AMS project within the agency?

**Mr McHUGH:** If you consider all the administrative people that are working doing progress payments for example - we have 330 in our organisation and there are probably 60 or 70 people directly inputting stuff into AMS one way or another or trying to get information out of it.

**Ms MANISON:** In assisting DCIS going forward with the AMS project, do you have any people specifically dedicated to helping their project team from your agency who are working on the system improvements and functionality so to speak?

**Mr McHUGH:** We do not have anybody dedicated to that. We meet with them regularly and provide them with advice and with requests. They have a hotline and all that sort of stuff associated with it, but we are not directly involved and do not have people dedicated within our department. A couple of senior people attend meetings with DCIS and feed back to the rest of the organisation.



**Ms FYLES:** How often would they meet with DCIS? Is there a regular structure to ...

**Mr McHUGH:** They probably meet with DCIS every two weeks.

**Ms MANISON:** It was clear the project within the Department of Infrastructure - you had different meeting structures or reporting structures up to your senior management. Now you are a user of the product feeding into DCIS and their project team, do you have any formal structures within your agency, Mr McHugh, where you have regular meetings and formal reporting up to yourself and formal reporting back down the line to ensure the issues that come up are resolved?

**Mr McHUGH:** Yes, we do. We have an executive management team which meets every two weeks within the department and AMS is front and centre. We have ongoing meetings with various people within the organisation about AMS all the time. It is not something that is - because it is fundamental to the way we operate, we cannot operate without it or ignore it. It is something that we have to pay contractors, we have to download data out of, massage that data so we can manage our programs and provide feedback to government and Treasury and stuff like that, so it is fundamental to the way we operate. It is not something we can ignore. It is the way the system works.

**Madam CHAIR:** Ms York, I would like to go back to talking about how the steering committee process worked in that you guys would report to the steering committee, and then it seemed to disappear, and may or may not come back down to you guys. We talked very briefly about the PricewaterhouseCoopers' report. Recommendations went to the steering committee; did decisions often come back down from the steering committee to you guys, or was it just an up process?

**Ms YORK:** Cate was the linkage. She was on both committees, so any feedback she would provide openly to that board.

**Madam CHAIR:** There was not a formal reporting system?

**Ms YORK:** No formal reporting back.

**Madam CHAIR:** When the Auditor-General's and the PricewaterhouseCoopers' reports were made public, did the project board have to read them or discuss them, or was that something that Cate took care of?

**Ms YORK:** Cate took care of those as the Executive Director and the director of the project. She was in control of the budget of the project. From those PricewaterhouseCoopers' and the Auditor-General's report, she was totally in charge of that. She then took on the overseeing of the training, the changed management, and any budgetary and resourcing capabilities.

When the Auditor-General's report came down, we had already asked for additional resources through DCI or DoI, or whatever we were at the time. That was declined by the management board and we were asked to go back and rethink the resourcing strategy for the AMS project. We then proposed a part-time resourcing strategy which we gave to all the Executive Directors at DCI. We then monitored their coming to the project and, over time, that dwindled. They failed to show and come to the project.

I believe it was a lot to do with the fact that it is tough to work on an IT project, tough to work with changed management and not really knowing things. Agency resources coming on a part-time basis did not get heavily involved in things. They would expect to come and be told how things would work, and it would work their way perfectly the first time you told them but that, in a change, is not going to happen.

**Madam CHAIR:** At the time, did you experience difficulty with the steering committee not meeting regularly? At one point, they did not meet for six months. Did that make your life hard on the project board?

**Ms YORK:** That was up to Cate to determine and whether she felt ...

**Madam CHAIR:** You guys just kept going?

**Ms YORK:** We just kept going.

**Madam CHAIR:** I want to touch on go-live because, obviously, the decision to go live was across whole-of-government. Someone, somewhere, or some group of people, thought that was a really great idea, and it turned out that it was not. I do not know if you were part of – was the project board part of that go-live decision, or ...

**Ms YORK:** In the ASAP methodology, you have a cut-over plan. That cut-over plan involved the implementation of an Implementation Committee. So, you had this other committee that was formed, that reported directing to the steering committee, which was an Implementation Committee. There are minutes of that. They met, coming up to go live, twice or three times a week and, then, over go live, every single day, or even twice a day. They would meet in the morning and in the afternoon to assess the issues of go live.

**Madam CHAIR:** So, the project board was not involved in that - a whole new committee was set up?

**Ms YORK:** A whole committee that governed the go live and got the acceptance and sign-off of the users. I was on that committee and so were a lot of other agencies. DoI, Transport, and Housing had reps. I would have to check if DCIS had a rep.

**Madam CHAIR:** Being on that committee that discussed the go-live decision, what were the considerations you guys discussed in making that whole-of-government decision to go live?

**Ms YORK:** Lots of things. How the data migration was going, the functionality, the business readiness. There was a business readiness survey done across the business which got the green light, and that went to the Steering Committee.

**Madam CHAIR:** Is that across the business being the whole of all the agencies?

**Ms YORK:** Yes, yes.

**Madam CHAIR:** Okay. So, some things did happen that led you to your go-live decision.

**Ms YORK:** There were 'go, no go' decisions that were made by that Implementation Committee.

**Madam CHAIR:** What is a 'go, no go' decision?

**Ms YORK:** You would say, 'We have not done this by this time frame, will we move forward?'

**Madam CHAIR:** There was some structure in process around that?

**Ms YORK:** Very much so.

**Madam CHAIR:** At the end your committee had to get the consensus of all the user agencies to go live at one go?

**Ms YORK:** Yes.

**Madam CHAIR:** What would the process have been if two agencies said, 'No, we are not?'

**Ms YORK:** There were issues managed by the committee. At one time we had to call in some of the business representatives from the various agencies about the program and the project cost centres - project dollar figures that were being migrated out of AIS. They did not come across as cleanly in the migration. The business representatives who were signing off this information were called to the committee to advise the committee on whether or not it was viable to go live and whether they could live with the degree of error was in the data.

**Mr WOOD:** Can you do a test drive before you go live?

**Ms YORK:** On the go live we were migrating into two systems at once. One in the background to see if the migration work was working, and one into the production system. They were running in sync like that. We had already done a lot of testing. We had tested end to end. With the business we had done a critical path in testing in February and the business had signed that off.

**Mr WOOD:** You had problems in your own department did you not with go live and the payment of contracts, and Housing I think?

**Mr McHUGH:** Housing definitely did. I do not know about ...

**Mr WOOD:** Was there a test drive done for Housing before it went live.

**Ms YORK:** Yes, that was done on the weekend. However, Housing did training on the weekend of go live.

**Mr WOOD:** Those problems did not seem to come up when the test was occurring?

**Ms YORK:** No! During the process Housing delayed their go live. They did not go live on the day the rest of the system went live. They went live two or three days after they had tested it.

**Madam CHAIR:** The business managers, or the people signing off on behalf of the whole department to say, 'Yes, we are happy with this system, we are good to go', what level of public servant were they? Were they executive directors?

**Ms YORK:** The executive directors were on the committee that managed those staff and brought their lower level of staff in who used the data to provide that advice.

**Madam CHAIR:** Okay.

**Ms YORK:** They were called especially to say, 'Is it going to be useable, is it going to be workable? Will it create an issue downstream? We have identified this is missing.'

**Madam CHAIR:** Your committee was acutely aware of all of the problems that could happen but you were relying on the departments themselves to understand, in their own departments, what the problems were and come to you with those problems? Once sign off had occurred with all the departments - is that how you go to the go live decision.

**Ms YORK:** Then it goes to the steering committee to make that final decision to go live.

**Madam CHAIR:** You guys made a recommendation to the steering committee? That was based on you having all the signatures and had gone through some processes. Did the steering committee then report back to your committee?

**Ms YORK:** They then informed the implementation committee that we could move forward and go live.

**Madam CHAIR:** Following go live, how long did it take before the cracks appeared?

**Ms YORK:** We got a message back from DCIS on the first day of best interface ever with GAS, and we still have that framed even though things went pear-shaped after that. The system made payments on day one and the errors in the data that were causing us to hit the incorrect GAS accounts did not come to light for a considerable time after go live. Some of the defaults that had been applied to the projects on migration caused the AMS cost centre to wear the cost of maintenance for the rest of the government assets. They had hit \$9m – what hit the AMS budget. My budget for maintenance was \$50 000 because AMS only owned one asset. One would have thought that would have come to light quicker, but some people would have been responding, looking and saying, 'Your maintenance is coming up very high, Wendy', but it was posting okay in GAS because it had an account to go to.

**Madam CHAIR:** With go live, did your committee set up to look at that go live decision? Was that being advised as well by Fujitsu?

**Ms YORK:** Fujitsu were on that committee, so were SAP as it was being charged for migration. And the other agencies were all on that committee. They did not meet outside that committee structure. There were no other meetings that happened within the AMS team. That was the committee that was held twice a day.

**Mr WOOD:** Because we have Housing next. On the issue of Housing, go live was okay to start with? How long did it take before Housing came back and said, 'Hoi, this is not working?'

**Ms YORK:** Housing did not deploy their contractor payments - they had some issues with paying contractors. But, in reality, when the audit was done by Deloitte after go live, many of the issues were created by the contractors not matching up the orders with the payments, and things like that.

**Mr WOOD:** Was that part of the change issue we have?

**Ms YORK:** I think so.

**Mr WOOD:** Thanks.

**Ms YORK:** You would have to ask Housing for more detail about their issues. Contractors were paid for various orders, but they did not match them up.

**Madam CHAIR:** Going back to the best practice. We wanted the best network possible. Thinking about how cumbersome and time-consuming and clunky the product actually is, what happened? Why? Does it go back to there was no change in the departments to change their style to fit the system, or is it the best practice? If it is best practice, how are we getting these really clunky systems in the end? What contributed to that?

**Ms YORK:** In best practice, you need to follow the process. The agency needed to have looked at that and then decided which bits they would streamline out. Options were given to the agency to say, 'This is the 11-step process. If you remove this one, this one, and this one, it will work streamline'. They were given multiple options, but they chose to stay with the existing practice of raising work orders, and sending work orders to the contractors and

not raising purchase orders. Purchase orders create commitment of expenditure, not work orders, in standing accounting practices. They did not change in the fact that they kept whatever they were doing as opposed to moving forward.

**Madam CHAIR:** Again, whose decision would that have rested with?

**Ms YORK:** That would be the DCI reps that were on the project Agency reference groups.

**Madam CHAIR:** Sorry, Mr McGuiness.

**Mr McGUINNESS:** Perhaps, Madam Chair, as the committee may be aware, SAP is a German company. The product is very Teutonic in its approach. It does not allow a lot of flexibility. However, what it does require to make it work is the business processes around the system need to be completely re-engineered to fit the system. I am not sure agencies appreciated what they needed to do. It was not a case of computerising existing processes; this is one where the processes need to be completely redone. Too many agencies saw it as an infrastructure problem and not their own problem. That sowed the seeds for the issues which we are discussing today.

**Madam CHAIR:** I agree. That seems apparent. Then, Ms York, you explained it from the infrastructure perspective saying that people were attending, and were given options. Even if people were attending these meetings and seemed to be engaged, would you say there was an adequate level of buy-in from other agencies?

**Ms YORK:** No, definitely not an adequate level of resourcing commitment, and to get on board to actually learn and understand the impact of the system.

**Madam CHAIR:** DoI was bearing the burden of the project and people were just waiting for this ...

**Ms YORK:** They were only learning what they wanted to learn of the project. They reduced what they learnt.

**Madam CHAIR:** Given that was apparent, what was DoI's strategy in trying to manage its way through that issue? Did it try new ways to bring the other agencies on board? Or ...

**Ms YORK:** I do not recall. I do not know.

**Madam CHAIR:** That is okay.

**Ms YORK:** We did have a change manager on the project and her job was to liaise and communicate with all the – she was at an ECO2 level in government and she reported to Cate, an executive director. We had newsletters that went out, we had a website that went across the whole of government, we did videos to try to entice them to come. Before go live we ran workshops with every agency on capitalisation of assets. There were a number of steps done to try to bring the agencies on board.

**Madam CHAIR:** We talked about resourcing and the tender process and the government was very clear it would only provide the equivalent of five FTEs, and that obviously had an impact. Are you able to explain some of the impact of that, or how NTG and Fujitsu negotiated around those issues? If we said we are only giving five and they said they wanted 15 and we said, 'Too bad, you are getting five' and it went ahead anyway.

**Ms YORK:** In the blueprint phase we had a dedicated Housing resource above and beyond that, and we also got two resources from DCI who assisted with the blueprint phase. After the blueprint phase when the new business case was approved for the realisation that put the overall cost of the project to \$28.5m, that is when we ran into the major resourcing issues. We were then back to our standard , the Housing resource stayed with us but the DCI resources when back to DCI.

The impact of that is you have nine modules of SAP being implemented and integrated, you have three or four resources on the project team trying to deal with Fujitsu constantly - to get information out of us to make decisions. At the time Fujitsu put a delay payment on us for lack of resources, which was subsequently paid. That was at the same time we had the audit from Frank saying we did not have the resources - no Cabinet submission, no ministerial, no resources. That was a big impact because you cannot make decisions, you cannot review documents ...

**Madam CHAIR:** If Fujitsu were coming to you guys saying they needed decisions on this, they needed information, who would ultimately made the decision that would go back to Fujitsu?

**Ms YORK:** A lot of the time Amanda or I would make a decision, depending on the level of the decision, or we would go back to the agency saying they need this information.

**Madam CHAIR:** It would not necessarily travel up through the project board?



**Ms YORK:** No, that would stay - if they were operational decisions they would stay with the operations portion.

**Madam CHAIR:** It was a bit haphazard depending on who needed to make the decision?

**Ms YORK:** It would depend on what decision they wanted. For instance, if you wanted a decision about what the codes are for the capital works projects it is pretty standard stuff. You would know that information. Amanda, who was the business process rep, had a great depth of knowledge in the processes within DCI. She had come from the business. In the past people have said that at the end of the blueprint the project was deemed to be around a 90% functional fit. Amanda, as a business process rep, made that assessment. That was done based on reading documents and assessing back against the functional requirements in the tender to determine whether or not SAP would meet our design at the end of the blueprint phase.

You have nothing to touch, feel and look at. You have design documents, concepts, and that is normal for an IT project.

**Madam CHAIR:** What would you say - I will ask both of you to answer if you do not mind - what would you say were the top two or three failures of the project?

**Mr McHUGH:** Probably in issuing orders or payments on UMRs and things like that, there are very time consuming the way that ...

**Madam CHAIR:** What is a UMR?

**Mr McHUGH:** Urgent minor repair or period contract type work where a school will ring up and say, 'I've got a broken window, send somebody out'. Then they submit an invoice and the way it is processed at the moment is not very cost effective.

The other big failing, as far as I am concerned, is I cannot get high-level reports on expenditure on roads programs, health programs, housing programs - any of that. All that data we have to download against each project, and people have to put it into an Excel spread sheet so I can look at it from a management perspective. They would be the major issues, as far as I am concerned.

**Madam CHAIR:** Wendy?

**Ms YORK:** I believe we should have, right from the beginning, engaged someone who actually knew SAP - from the beginning. To be an NTG resource of 33 years experience in the Northern Territory on business application systems, SAP is a different beast. To be able, during a project with such limited resources, learn SAP and ensure that meets the Northern Territory government requirements as we are going, as well as being a director, being a project manager – that is a tough gig, with a great deal of resourcing required, and a very steep learning curve.

SAP is different in the way it does things, compared to other IT systems I have worked on. It is, as they said, a German system, but it is used extensively across the world. Many people use it very successfully for asset management and their finance and payroll. But, it is a very steep learning curve. One of the things I believe we should have done was get someone who was more experienced in SAP, in particular.

One of the other things we should have done is not depended on Fujitsu to provide that solutions architecting role. We depended on the system integrator to ensure all the components hung together and fitted to our requirements. We should have taken ownership of that and had a solutions architect who was reviewing the modules to ensure they met our requirements.

Also, having a very fuzzy funding line, not knowing what your budget was, not knowing if you had commitment to spend is a tough gig. You do not know whether you can engage resources or not. I believe you will see that in the House, Mr Tollner talked about the engagement of backpacker resources. Well, that is all we could engage. We could not engage any additional FTEs because we were under a cap. We could not build the expertise within government to deliver the system. So, we did what we could. We could spend money, but we could not have permanents. We could not employ experts because we did not have the budget, because we had no knowledge of what our budget would be.

The CEO was brand new. He was trying to meet with government to meet his own needs to drive the agency. There were many issues around governance at that higher level.

**Mr WOOD:** I do not know much about SAP. Were there other systems available in Australia that would have done the same job? Was the company which produces SAP a company that could have a tenderer in their own right?

**Ms YORK:** They could have been a tenderer of their own right, but did not do so. In the procurement process, you can only deal with the tenders you actually get. I believe the business case was based on - I will quote Tollner here: Toyota Hilux-type are level Solutions. Of the ones that were assessed in the business case, three of those no longer

exist in the marketplace. So, whether or not those Tier 2 products could have met our needs, we do not know – they did not bid. If they do not bid, you cannot do much about that.

The other thing I believe is the going best practice. SAP can be customised to meet exactly what the government did before. We have a minimal customisation in our system. SAP came and did a review in August this year as to the level of our customisation. We are relatively low on a benchmark across other SAP organisations as to our level of customisation. We did not customise to meet explicitly what the business wanted; we were asking them to change. As I said before, that change did not eventuate, was not managed. The fact is it was not managed and driven in the agency. We, potentially, as the project, should have taken ownership of managing that change, and we did not because it was not in our funding model.

**Madam CHAIR:** To leave on a brighter note, what would you say the successes of the project are?

**Ms YORK:** The learning curve I have been on is amazing.

**Madam CHAIR:** We are here to make sure these types of things do not happen again.

**Ms YORK:** One other thing missing was the benefits realisation, and I believe Kathleen mentioned that as well. In the business case there are benefits listed as being the benefits that should be delivered by this solution. There was no ownership outside the AMS team for those benefits, and the AMS team could never deliver/realise those benefits. They are benefits that should be delivered by the business agencies owning the assets, and the Department of Infrastructure in their repairs and maintenance group working for the agency, but those benefits were never transferred from the business case AMS team back out to the business where they should have belonged. The business itself had no ownership of the project, they had no funding commitment for the project, and they had no ownership of the benefits. If I was to do it again I would make sure they owned it and thought about how they could get skin in the game. It was up to them to make sure it succeeded.

**Mr McHUGH:** I think there are significant benefits in the system. They were replacing systems that needed to be replaced. Modern technology is going to be better than the past, but we just have to work through it to get those benefits and introduce change management within the organisation to deliver that. It is going to be a bit crunched on, but we will get there.

**Ms YORK:** One other thing is fixed price. The pricing of these projects is interesting to say the least. We were on a fixed price project, our budget is still at - I will mention the

Power and Water project. How much was that? I think it was 54. These projects started at exactly the same time, very similar - they were three months behind us or so. Our business case that went up and was approved by the Treasurer through a ministerial was \$14m or whatever, the same with Power and Water - it was around about the same. Because we had definite fixed pricing for our blueprint and for our realisation phase, most of the additional cost in AMS is government cost. Our change management and our training, our data migration costs, are where all our additional costs came in. There were some costs to Fujitsu for changes to the system that were managed by change requests, but Fujitsu has not really been paid a significant amount above the contract price because it was a fixed price.

Power and Water had gates on their project and were able to reprice the project on a regular basis. I think in the media release you can see at this date it was this, at this date it was that, and that date it was that. I do not remember the exact break points, but their project went to 54-whatever it is, ours still remained at \$28 because we were fixed price.

Fixed price is difficult to manage because you do have this constant scoping, argument with, 'Is that in scope?' That was something I spent a significant amount of time on. 'No, this is in the blueprint'. 'Yes, this does relate to the requirements and was in the tender'. We had total traceability back to the tender document within the blueprints so every requirement in the RFT was in the blueprint so you could see the linkages back. The test cases were built on the blueprint documents. That fixed price enabled us to minimise the additional money we had to pay to Fujitsu, and that is evident by them being here for that amount of time and not ...

**Mr WOOD:** We have to be careful when we are talking about blowouts. The blowout is not necessarily the contract itself but the after effect of the contract, which was more its internal government costs.

**Ms FYLES:** Which, maybe, were not thought about to start with.

**Ms YORK:** Which were not in the original business case.

**Ms FYLES:** Even though should have been because, at some point, they would have been needed.

**Ms YORK:** That is a lesson learnt. We should have, potentially, budgeted for the training and the change management aspects which were not in the original business case, because it was believed the agency would do their own, but they all have training sections.

**Ms FYLES:** That is interesting for us in providing recommendations going forward. The Power and Water comparison is interesting, but also additional what people think will happen, but there is a dollar figure to it.

**Ms YORK:** Yes, and people will absorb and take it on.

**Ms FYLES:** Yes.

**Ms YORK:** They do not. You need to allocate particular people to do these tasks. In the model that DCIS are running at the moment, they have dedicated training staff.

**Ms FYLES:** That is interesting for us.

**Ms YORK:** They have dedicated testers. Neither were on our project.

**Madam CHAIR:** Okay, unless there are any other questions. Thank you very much Mr McHugh and Ms York. We appreciate we have held you here for a very long time and made numerous inquiries of you. We thank you for your openness and honesty, and for taking the time to be with us today. Thank you, Department of Infrastructure.

We will have a five-minute break, then we will call on Department of Housing, thank you.

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The committee suspended.

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**Madam CHAIR:** Thank you very much to the Department of Housing.

On behalf of the committee I would like to welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee, Ms Anne Bradford, Chief Executive of Department of Housing; Ms Mychelle Curran, Deputy Chief Executive; Ms Noelene Swanson, Senior Executive Director of Remote Housing; and Mr John Harrison, Director of Maintenance, Planning and Delivery. Thank you for coming before the committee. We appreciate you taking the time to speak to the committee and we 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. This is a public hearing and is being webcast through the Assembly's website. 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 say should not be made public, you may ask the committee to go into a closed session and take your evidence in private and we are more than happy to do that.

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.

Witnesses, could you please state your name and the capacity in which you are appearing.

**Ms BRADFORD:** Anne Bradford, CEO of the Department of Housing.

**Ms CURRAN:** Mychelle Curran, Deputy CEO of the Department of Housing.

**Ms SWANSON:** Noelene Swanson, Senior Executive Director of Remote Housing.

**Mr HARRISON:** John Harrison, Director Maintenance, Planning and Delivery.

**Madam CHAIR:** Ms Bradford, would you like to make an opening statement?

**Ms BRADFORD:** At this stage we will not make an opening statement.

**Madam CHAIR:** Okay, no problems.

**Ms BRADFORD:** Thank you.

**Madam CHAIR:** We are, obviously, here today inquiring into AMS as part of a broader ICT inquiry. The Department of Housing is a client or a user of the AMS project. If we could get an initial or cursory view on how that is working for Housing at the moment? We know in past hearings you have had significant difficulties paying contractors, so perhaps an update would be a good start.

**Ms BRADFORD:** Thank you, I will hand that over to Mychelle Curran.

**Ms CURRAN:** Thank you. It is correct to say there were a number of issues at the handover or the start-up of AMS, including issues with data migration, reflection of GST within projects, being unable to generate work orders, particularly in the vacate work area, documentation with contractors not being able to reconcile their payments, and payments with contractors that failed.

There have been a number of improvements and changes over time. In fact, I will hand to John Harrison to address some of those matters shortly. However, it has taken a significant period of time and significant level of resources in addressing those issues. We still have significant resources off-line responding to much of the manual processes that have needed to be put in place in order for us to be able to utilise Asset Management System.

**Mr HARRISON:** There have been a number of improvements in the system over time. We have, particularly, seen some improvements in the space of reporting. However, we still have not achieved a level of reporting we did have prior to the implementation of AMS. We have managed to create reports through matching some certain modules across the system, then doing some manual work around which is labour-intensive for the department. I believe we have also made improvements in the contractor pain points area of our business. We have managed to work with contractors to resolve some reconciliation issues between their systems and our systems. I would not go so far as saying that is resolved; however, we have made some major improvements there.

Also, there are a variety of improvements that have happened since the time I have been with Housing, including progressing GST - the fixes to the issues we were experiencing with GST – and the information provided on work orders. I would say there have been some substantial improvements. However, there is still some substantial way to go.

**Madam CHAIR:** What kind of resources has Housing allocated, specifically to AMS? Maybe they sit on some of the governance structures? So we can get an idea of the commitment of the department.

**Ms BRADFORD:** On each of the governance structures we have at least one rep. In addition to that, we have one full-time person who is allocated wholly and solely to Housing issues. On top of that, we have probably three full-time staff who are working only on resolving some of the AMS issues.

**Madam CHAIR:** Wow!

**Ms BRADFORD:** There is still a significant proportion of our department's time trying to make different things work, so the scope we have been requesting has not been addressed yet.

**Mr WOOD:** Could I just ask, in simplistic terms, why does it not work? You have a system the government has brought in; they are saying there has not been adequate attention in relation to change in the departments. Is there a human issue that people do not want to change, or is there a system they have no idea of understanding; that there is a technical IT issue where we cannot join the two systems together to make them work?

**Ms BRADFORD:** Member for Nelson, I might answer that by saying the AMS system was introduced by ICT experts. You have a group of public servants who are business experts. So, the language between the two is not the same. Whilst the system may operate technically as the blueprints identified, the problem is the business arm of government does not work that way. In answer to your question, it is a bit of everything. Some of the technical workings of the system are not fit for purpose in NT. By that I mean SAP, as a product, is not talking to GAS, which is our government accounting system. The fundamentals of information are not being passed from the appropriate tools of trade. The second part of it is business, whilst it was engaged to look at the technical fix, never understood the technical requirements they were talking to.

**Mr WOOD:** When Wendy York was saying you could get the SAP - you could make it fit if you went up a level - if we told them to make it fit your department's requirements that could have happened, but we did not go that path, we went to a lower level – a Toyota Hilux level.

**Ms BRADFORD:** I am not disagreeing with what Ms York has said. My belief is we needed to get a policy framework first because SAP is a tool no different to another tool like Microsoft. You do not buy Microsoft to do better essays; use Microsoft to assist you in writing.

SAP is no different; it is a tool. Before we implemented the tool we should have had a conceptual framework which said this is what asset management will look like in the NT, then all the agencies would come on board with the policy framework and the tool would be put fit for purpose. At the moment, SAP's product is driving our business, and our business should be driven by itself and the tool there to support the business.

**Mr WOOD:** Thank you.

**Madam CHAIR:** Every department has had a different view, but many departments saw Dol as having the main carriage of this project and, therefore, there seem to be a significant



lack of buy-in from departments going along with the journey. DoI then said, 'We gave ample opportunity, we think people just did not realise how involved they needed to be to get the product they wanted'.

Mychelle, you sat on the steering committee is that ...

**Ms CURRAN:** Yes, that is correct.

**Madam CHAIR:** That was in a Housing capacity, was it not?

**Ms CURRAN:** Yes.

**Madam CHAIR:** What was Housing doing at that time? How where you utilising the steering committee in order to get Housing's product needs at the forefront of the design of the project?

**Ms CURRAN:** That is going to be quite difficult for me to answer at the forefront because I only became involved in the steering committee in the last six months before implementation. I may need to - I cannot respond to that question in regard to the agency's involvement. However, from a business perspective, I think it potentially is fair to say our full-time person who is on the project has a business, but predominately an ICT, perspective. I would certainly reiterate the comments made by Ms Bradford, that the level of business engagement and level of business understanding of the requirements the agency, up until the last few months when it became clear the system was not necessarily going to deliver on the level of functionality we thought we were getting, was not at the level required.

**Madam CHAIR:** In the last six months you were on the steering committee, did they meet many times?

**Ms CURRAN:** The steering committee probably met monthly at that point in time because it was very much leading up to implementation. The steering committee was given very clear advice that there was a target date for implementation so, necessarily, the steering committee was meeting more often.

**Madam CHAIR:** Who was giving the advice about a target date?

**Ms CURRAN:** That was being provided through the Department of Infrastructure.

**Madam CHAIR:** We heard Ms York say that each agency had to sign off on the go live decision, so this is the six months you were involved leading to go live is that right?

**Ms CURRAN:** Yes.

**Madam CHAIR:** Did you have to work closely with the person from Housing to ready Housing to sign on the line to accept that go live decision?

**Ms CURRAN:** Ms Swanson, who is here, was doing much of the business work, up until sign-off. Sign-off virtually occurred a few hours before the go-live date. In fact, our agency had sought to have the go-live date deferred for a period of time and raised a number of issues. A number of issues we considered resolved prior to agreeing to go live; however, there was still a number of urgent matters that were promised in the days following the go-live date. Ms Swanson would be best to respond to that.

**Ms SWANSON:** There were four issues which were identified before go live that were critical to the agency. At 10 o'clock the night before go live, they were able to address three of those - two of them fully, and the third one we were able to identify an end-to-end process for raising a work order. But, we were not able to test that in a live environment.

The fourth issue was in relation to general ledger codes. We were concerned the Housing general ledger codes were incorrect, and there would be problems with payments from AMS through to the GAS ledger, which were then realised within the weeks following.

They committed four senior technical people to work with the department the following day to correct those. As Ms York previously said, there were a couple of days before they believed they got that right before we went to fully go live within Housing.

**Madam CHAIR:** These are four Infrastructure technical people came over to Housing?

**Ms SWANSON:** Not Infrastructure technical, they were IT gurus - is the way I would describe them - who spoke a language that few understood.

**Madam CHAIR:** They went from the department?

**Ms SWANSON:** No, they were part of the team, so they included some experts from SAP, as well as Fujitsu.

**Mr WOOD:** One of those problems that seems to be coming up is what Anne said. You are saying communication was an issue – IT speak double Dutch, and you speak some other language, and the two do not meet. Is that part of the reason, perhaps, the change was not picked up or taken up, because nobody understood what that all meant?

**Ms SWANSON:** I believe that is absolutely correct. Normally, there are business analysts who are able to interpret the business needs, but also be able to interpret the IT requirements to make a system work for a business. I believe there was insufficient representation from well-schooled business analysts and over-representation of IT specialists. There was a disconnect in the communication as a result of that.

**Madam CHAIR:** Is that because of the lack of resourcing? The departments were not able to provide the resources they needed because of the caps on FTEs, or whatever else was going on at the time?

**Ms BRADFORD:** If I might take that one. I believe at the time we were in a position – as you are aware, this has gone on for a significant period of time. When the original project brief was put up there was no thought it would take as long as it did. As a consequence, the resourcing was, perhaps, less thought through than it could have been.

However, there is no doubt there are many lessons we can learn from a major ICT project, both in other jurisdictions and our own. Some of those lessons are about getting the right people at the right time, at the right level, to deliver on the component part that is needed at that time. That may well change throughout the life cycle of the project.

**Madam CHAIR:** Ms Swanson, are you able to explain what your role has been with AMS up until now? You have, obviously, been with it for a while, have you?

**Ms SWANSON:** About the same length of time that Ms Curran has been with it. I came in from a business user point of view. When I came into the project I rallied the team around and asked them where they were at with it and whether our critical issues were being addressed, and then attempted to negotiate with Ms Lawrence and others within the team to get the departmental needs met, over a period of about seven or eight months.

**Madam CHAIR:** Were you on the steering committee as well, or the project board, or ...

**Ms SWANSON:** Sometimes I filled in for Ms Curran on the steering committee in her absence. We always had representation on the steering committee.

**Madam CHAIR:** We know Housing had issues with go live. There was the night before when some things happened then go live, but Housing did not go live for two or three days. I think that is what Ms York said.

**Ms SWANSON:** Yes.

**Madam CHAIR:** That was because of your concerns and things just did not get resolved. Even though some peoples' perspective might be there was a lot of buying in or opportunity, would it be fair to say perhaps with Housing, that whilst there was opportunity they were very limited opportunities? If you are talking about fixing things at 10 pm the night before, there is opportunity to fix it but, at the end of the day, get it together - there is pressure coming down on you guys, is that fair?

**Ms SWANSON:** That would be a fair summary.

**Madam CHAIR:** Okay.

**Ms MANISON:** Given Housing is a big user of asset management systems, do you feel you had enough time to adequately test the AMS from the ground up, from the housing officers through to your accounts people and what not?

**Ms BRADFORD:** No, but the testing regime was not on multiple platforms. Part of the testing that should have occurred should have been not just at the final stand. Part of the testing should have been: did it technically work? Did what we asked them to do work? Was it fit for the business use? Was it able to be used by all the staff? There are multiple testings that never occurred.

**Ms MANISON:** In hindsight, if you were to do it all over again, would you have allocated more time towards the testing process?

**Ms BRADFORD:** If we were to do it again one of our lessons would be we would insist on a different testing protocol and make sure that the right people were involved in testing and not being pressured to sign off on something with promises that were written around, 'We will fix that. Other than that, is there anything else you want fixed?' We have learnt some very good lessons out of the process.

**Mr WOOD:** In relation to remote housing, which I presume a lot is SIHIP – well, under the new name, but it will always be SIHIP to me, it has been driven into my brain – how, on the ground, does the system work for someone who is having to do the reports on the state of

housing in remote communities like Maningrida or wherever? Does the Commonwealth also have a parallel system of checking on the status of those houses, because obviously it has a stake in those houses as well?

**Ms SWANSON:** As a direct input the AMS system is not being used by remote housing in the assessment of properties. We have to work around a simple tool we have developed so our people on the ground can input data when they inspect a property, or if there are improvements to that property as a result of a refurbishment. That information is then brought back and we have a team of three dedicated to inputting that information through the AMS system. The AMS system then translates that to our tenancy management system, but there is also work around about that as well where we have to go back into AMS to save it on two occasions.

**Mr WOOD:** Should it be a process where a person goes to the house with a little electronic data box and punches it in? He has a series of things to tick and should, in theory, be able to plug that straight into the AMS system but cannot.

**Ms SWANSON:** That is correct. Mobility was one of the core deliverables of the project that has not been delivered.

**Mr WOOD:** In relation to the Commonwealth, do they have any similar system for asset management or do they regard all those assets as yours and they do not – they paid for part of those houses of course, but do they have any responsibility in relation to asset management?

**Ms SWANSON:** No, we are managing the property on their behalf.

**Mr WOOD:** Yes, thanks.

**Madam CHAIR:** Ms Curran and Ms Swanson, you both came on board around that six month point before. At what point did Housing realise the AMS was posing a significant risk to the agency's operations? Was it before you guys came on board and that is why they got you on, or was it after you came on board and you guys looked at it and went 'holy'?

**Ms CURRAN:** I can only speak from my perspective. However, it became very clear, as a result of attending steering committee meetings, there were still a number of unresolved issues - pretty well right from the time I started attending meetings – and a number of those issues were taking a considerable period of time to resolve. In the level of papers that were coming to the steering committee, they were often being tabled on the day, rather than prior

to steering committee meetings. There were decisions that were being taken outside of the steering committee, or out of session, because there was not adequate opportunity to have discussions at the actual meetings.

**Mr WOOD:** I ask a question on that because we asked – who did we have first? - DCIS why there was a gap in the meetings. One of the answers was many people were busy. Do you know it that was the case they were not meeting regularly? Was there a problem with a secretarial side of it? Were papers being prepared late because there was not a specific secretarial back-up for these groups? Do you know why this was occurring?

**Ms CURRAN:** I can only state that in the time I became involved, there were regular steering committee meetings. They were occurring at least monthly, if not more regularly when there were decisions that were required to be made. In resourcing to prepare papers, I cannot comment on that. Clearly, the person who was leading the meetings was often preparing papers.

**Madam CHAIR:** Regarding accountability, you were sitting in steering committee meetings, there were many issues, you were getting closer to the proposed go-live date. In your view, from your observations of those meetings, what was the process? If the steering committee was talking about something that was a major issue, what would the next step be?

**Ms CURRAN:** If the steering committee was talking about something that was a major issue, it would be referred back to the project director and the business working groups in an effort to try to find some resolution, then report back to the steering committee.

**Madam CHAIR:** Okay. Who was the steering committee accountable to, or was it merely an advisory board for the project director, or you guys had to report to someone?

**Ms CURRAN:** The steering committee was made up of representatives, with the Department of Infrastructure Chief Executive as the Chair of that committee. It was a decision-making forum.

**Madam CHAIR:** Okay. Ms Swanson, would you like to comment on your observations about when AMS became a significant risk for the agency?

**Ms SWANSON:** When I came into the role, as I said, I pulled the teams together. I also pulled in a representative who was actually working on the AMS project in the development of one of the modules relating to work orders. I had a fairly lengthy discussion with them and

it became very evident to me then there were some critical issues that needed addressing, which were then raised through the various forums, including at the steering committee. They related to some gates and check points that needed to be met before we could proceed.

**Madam CHAIR:** Did either of you, in your roles at those times, have to report directly to the Housing Chief Executive? You did, okay. So it was not just through these AMS channels, there were other mechanisms?

**Ms CURRAN:** We reported a number of issues to the Department of Housing, Local Government and Regional Services Chief Executive who, in fact, convened a meeting with the Chief Executive Department of Infrastructure, which was the point where - I mentioned earlier - we requested a delay in implementation date because we still had a number of unresolved issues.

**Madam CHAIR:** Okay. Do you know - and you might not know - what resources Housing had set aside from the start to work on the AMS project?

**Ms CURRAN:** I cannot comment on that, I am sorry.

**Mr WOOD:** Following on from that. It is, obviously, draining resources to some extent from the department. Do you have any idea how much that is costing, and how long you see this – that is probably asking how long is a piece of string. Are you budgeting for a fair while before this is all sorted out?

**Ms BRADFORD:** I can answer that in a roundabout way. Of the nine systems that were supposed to be replaced, seven of them are still being used within Housing. In addition to that, because of the increase in requirement for data entry and the complexity of some of the processes, it means people have been diverted from their current workload to do some of that. In fact, I might refer to - who would like to take that question? If I could refer one to Noelene and then on to John, because we did some calculations to try to work out - the reason I say that, it is our belief Housing transactions represent 53% of all transactions on AMS so the cost to us as a department has been very significant.

**Ms SWANSON:** From a remote housing perspective, I mentioned before we have three full-time staff currently attending to a range of functions in AMS from inputting work orders, including invoicing monthly repayments, running weekly reports, including outstanding work order reports, reconciling and closing commitments, updating asset information and ensuring the team and AMS are talking to one another, and also financial reporting.

That task was previously undertaken by one person, who also had other roles within the department, and we have three people dedicated to it. As an example, a financial report that previously took 20 minutes to run with a bit of tweaking now takes half a day just to run the report on the system, another half day to download the report, and another half day to manipulate it into a spreadsheet and check it against two other reports to ensure the funding has been reconciled and it is accurate. That gives you a sense from a remote perspective.

**Mr HARRISON:** I manage a team of approximately 25 staff who are responsible for asset management, contract management, and reporting of programs across Housing, and every single one of those 25 staff interface with the AMS. It has had a significant impact on the ability of that team to undertake its core business, which is the functions I just mentioned, and while the use of an asset management system is a key task, it is not what I would consider a core business.

If I could perhaps give you some snippets of the additional time it would take members of my staff to undertake tasks - these are only snippets - you have to keep in mind the problem would be wider than what I can give you as examples.

For reporting, previously a staff member would produce reports on a weekly basis across the capital works, minor works and repairs and maintenance programs for urban public housing and GEH, and that task would have taken approximately an hour. That task now takes up to five-and-a-half hours. You are looking at a fivefold increase in the time it would take to undertake that task.

Another major component of my team's work is delivering maintenance in assets. Approximately 50% of our budget across Housing would be spent on what we would refer to as vacate maintenance. Previously, the process from start to finish would have taken in the order of three hours, and that would have been across multiple roles and also internal and external resources. If we broke that down to perhaps an hour each [for internal staff] across 600 vacant assets per annum on average, that would be about 600 hours. If you were to look at what that now equates to, we are now looking at a mean time to process end to end of seven hours. Because of the complexity of the AMS, 100% of the work order creation now sits with Housing as opposed to being shared with our business partners, and 80% to 90% of the execution of the service entry work [to] complete verification at the other end of the process is now undertaken by the Department of Housing, whereas previously that would have been shared with our business partners.

That now equates to 4200 hours and two-and-a-half staff members. That is a drain that takes away from the core functions of managing contracts, executing payments on time, programming maintenance, and the types of things an asset manager like me would ordinarily busy himself doing.



**Mr WOOD:** To follow up. Is part of the problem that the SAP system is pulling out detail you do not really need? In other words, is it far more information than what is required to have an asset management of a house? Does it want to know the colour of the paint versus the length or height of the lawn or something? Does the detail require more?

**Mr HARRISON:** The potential of the system is greater. If we finished the job we embarked upon, we would be able to store all of that type of information in the Asset Management System. Right now, concerning assets, we only store information at the functional location level. We would have had more information available to us in our legacy systems.

**Ms FYLES:** Can I further add to that, Gerry? I guess you were involved as the program was developed. We have heard from other representatives today that they felt, possibly, there was a component budgeted for the actual development of the system, but change management and training was not included; that maybe agencies - I am not sure if it is definitive to say - did not do enough of that. This is a shared product and we are talking about the complexities going from an hour to 5½ hours. I would like a little more detail there, I guess.

**Ms BRADFORD:** If I might, when the project was put together it was looked at as the implementation of a system. There was no consideration of its through-life costs to the agencies that were, in fact, going to be running that system. When we have been looking at it as an ICT project, it has been all about the tool, not about embedding the tool into business practice. So, that was never costed. The part that was costed was how you would train people on the tool, not how you would, in fact, align the end-to-end process to use the tool.

**Ms FYLES:** As an agency, was that known from the first starting point, and you have just gone with it, or is there a point when you started to realise – because, to me, effective management of staff allowing somebody to have an extra 4½ hours on their role is not acceptable. At what measures have you taken to compensate for that, or try to alleviate that - a little more detail around that? Part of our role today is not just focusing on the asset management and what went wrong – we know something went wrong - but on recommendations into the future for government agencies. That is why I am drilling down into that bit of detail, because I find it interesting that it is an hour to 5½ hours. We need to look at that a little more.

**Ms BRADFORD:** I agree. It was, once again, going back to using an IT tool to drive business, as opposed to business driving using a tool. I do not know the language between the IT experts who have created what they think is a good framework necessarily translated to the business understanding what the flow-on consequences would be to be able to deliver

on what they said. Remembering, if you go back to the original business case, it was to replace nine legacy systems end to end; it was never said it was replacing nine legacy systems. There was no efficiency or effectiveness identified right from the outset.

We had nine stovepipes the way we do business. We had already harnessed and have done the work arounds to make them work. What failed to be achieved was, in fact, what business hours would be required to make it fit for us.

**Ms FYLES:** I could be wrong here. You said previously you are still using other systems?

**Ms BRADFORD:** That is correct.

**Ms FYLES:** So, you are almost doubling up on the workload. Previous people who spoke to us this morning mentioned they feel it is quite a simple Asset Management System, in the sense of some that can be delivered. I cannot quite work out where these conflicting stories - and maybe it is just conflicting opinions within different agencies. I would not mind a little ...

**Ms SWANSON:** I am happy to discuss that. You would have heard Ms York talk before about how it has nine modules.

**Ms FYLES:** Yes.

**Ms SWANSON:** That is what causes the complexity within this system because, not only does this system that has nine modules have to communicate with other existing NT government systems, but there are different user interfaces for each of those nine modules, from loading a budget through to getting a work order, spitting out and paying an invoice at the other end, and that is what causes a clunkiness for us in Housing.

We process over 50 000 work orders a year, 25 000 of which are in remote alone, and the clunkiness of the system - you do not go into a nice sweet front end and punch it in, you have to go in and out of different screens. That is what slows things down because you have to move to different modules. That is the problem within the system itself, and the modular system creates problems in getting reports because you have to draw those reports from different modules to get the accuracy.

We are a high-end user like a McDonald's user. We are not entering massive \$50m or \$70m products; we want to get a tap fixed and we want to get a lawn mown. It is high-end, it is high use, and that is the problem for us.

**Ms FYLES:** Six months before go live you started to flag that, but it has never been ...

**Ms SWANSON:** - End to end training was not available, but training was occurring module by module. I attended three of those trainings and could not understand the connection between the modules and asked that there be overarching training where we could see the modules being linked together to understand the flow-through in the system.

**Ms MANISON:** In relation to Housing's relationship with the project managers in what we will call the Department of Infrastructure now, I do not know if you can answer this given you are talking about the last six months, but given you are a big user of asset management systems, was a lot of work done with the project managers in the Asset Management System team with your agency in looking at the operational day to day use? I mean sitting down with an asset manager, someone who goes through the vacate process you were talking about, did they do any work with them in the design process to say, 'Tell us about your job, what do you need to do with the Asset Management System?' to see they fully understood that in going through with the AMS project in relation to those system design, or knowing the system could accommodate it?

**Ms BRADFORD:** I will hand that to John.

**Mr HARRISON:** Can I answer that question generally because during that phase I was not employed by the Department of Housing but I was involved in some briefings during my time at the Department of Infrastructure? There definitely were a number of workshops undertaken with business users to capture the business requirements and business process so it could be applied and, subsequently, blueprints could be created. There definitely was interaction between departments for that purpose. My observation then was there was a disconnect when it came time for the translation of that into blueprint phase, and then acceptance of blueprint. My observation is I do not think the business had the capacity to analyse or understand, and I am speaking generally, not specifically for Housing, to actually understand the impact on its resources when it got those blueprints back.

I know, from a personal perspective, I received those blueprints to review. I had trouble understanding them. The volume of information provided in them was too large for the time given, and I know there were subsequent phases introduced into the project to try to alleviate that issue. I believe that was an issue across all users.

**Mr WOOD:** A very broad question, but we are trying to look at ways to ensure it does not happen again. Anne, if you were approached about this system now, how should we start this program off so it gets off on the right foot at the beginning?

**Ms BRADFORD:** If it was to start this year, the first thing would be is to have a policy framework that guided what all agencies would have to sign up for. I would not be looking at individual agency's needs, but rather for the whole of government - end to end processes for managing assets across the NT government. Having established that, the scope would then be about trying to deliver on what the whole-of-government view was, rather than a single agency.

**Mr WOOD:** Because it started off with DCI. One other thing. I studied economics way back in 1966. I had a teacher who said 'Computers with will make life easier and you will have a lot more recreation time'. If he is still alive, I am going to go back and tell him to turn up at one of these meetings, and I can show him he was wrong.

**Madam CHAIR:** I have a huge concern. It has been a theme across the course of the day; how you were explaining that a one-hour job now takes five hours. What was alarming to me - I cannot remember who said it; it might have been Ms Robinson - is you would think if something is taking five hours and it should not, that is part of our remediation we are going to work to stream like that. What has come out today is that is rather idealistic, and the foundations of this house we have built have those long-winded mechanisms inbuilt in them. So, in order to strip that back, we would virtually have to start from laying the slab again. I have the impression that Housing is facing that same scenario, as Infrastructure and everyone else, that even if AMS gets resolved, it kicks off, and we are good to go, you will be left with the one-hour job taking five hours.

**Ms BRADFORD:** In fact, it is probably worse than that, because AMS is but one system we use. We have an incident management system which is WEBOC. That means every time there is a problem with one of the houses we own, we capture to that data. We then have a Tenancy Management System which is separate to the Asset Management System. So, even within our department, AMS does not deliver us the functionality we require.

**Madam CHAIR:** It will never do that?

**Ms BRADFORD:** In its current form, no.

**Mr WOOD:** So, never is never, or never unless we spend a lot of money? Could it be fixed with more money or it cannot be fixed at all? Someone has to make up their mind whether this program keeps going. If it does not fix your department, which is one of the

most asset managed departments - and you are saying it is never going to work and is going to cost a lot of money to run a system that is inefficient - I am interested to know whether we should be going any further down this path?

**Ms BRADFORD:** It is a really difficult question to answer because, if you had unlimited budget and a risk profile that welcomed the opportunity to try things outside of tradition then, yes, it can work. The challenge we have is we do not have a unlimited budget. I do not have an unlimited workforce that can throw their resources and time into making it work. In the structure of the Asset Management System we bought through SAP, there are always changes you could put at the front end to make it work - always! However, the costs can be prohibitive.

**Mr WOOD:** The reverse of the question is: if SAP was pulled from your department tomorrow, would you operate more efficiently?

**Ms CURRAN:** Yes.

**Ms BRADFORD:** A very good question.

**Mr HARRISON:** It is a very good question.

**Mr WOOD:** We have to look at the effects of doing the other side of it. One side means spend a lot of money, the other side means, well, we made that decision but ...

**Ms BRADFORD:** It cannot happen overnight. If you were to extract us off SAP, it will take a period of time - years - to unwind some of the changes which have occurred. There would be a time where the cost to do that - you have got to a point where you have to put money either way. There would still be money to turn it off and stand back up legacy systems, or to transfer us on to other systems. The challenges in doing that means you will have a bubble of cost either way. It could be that seeing this commence back in 2005-06, when the original idea was, we now need to rethink the strategy. However, is that at stopping what we are doing, or is it now rolling it out until it becomes useable and look at the next solution for the future?

**Mr WOOD:** That is a third option: a different solution altogether ...

**Ms BRADFORD:** Yes.

**Mr WOOD:** And that is going to cost money too. Between a rock and a hard place.

**Mr HARRISON:** Guys, I would like to more narrowly answer the question that was put about the one to five hours. There are a number of changes that could occur to the AMS system to achieve efficiency. We have a change that has just undergone user acceptance testing that would provide us - I am quoting an IT guy here - of 75% efficiency in the creation of work orders. Remember I spoke about a seven hour time period for vacates. Part of that would be a two to three hour work order creation phase, and that might reduce that back down to one hour or less.

There is an ability to achieve efficiencies in the system, but it is about creating user interfaces to envelope the SAP system and make it more efficient to enter information into the system. The Department of Housing's intention was to use that as a proof of concept to see whether it would work for that process, then use similar technology to roll-out across some other processes. If I can give you another example, our call centre takes calls and they currently move across multiple screens to do work that is less efficient than what it was previously. Our intention would be to create one screen that we would enter information into that would talk to an SAP back end.

There is definitely ability to make this system more efficient, but what I cannot speak of is the underlying technical issues - reconciliation between systems and those types of things. That would need to be referred to DCIS, or perhaps Anne has experience in that space.

**Mr WOOD:** It seems handwritten sticky notes still have a place.

**Madam CHAIR:** Unless there are any other questions, I would like to thank the Department of Housing for all the time you have set aside in preparation for today, and also for being here today. Thank you very much for appearing before us and contributing to our inquiry.

We will have a quick five break then bring on Treasury.

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The committee suspended.

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The committee reconvened.

**Madam CHAIR:** We will start as everyone is organised.

On behalf of the committee, I welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee Mr David Braines-Mead, Acting Deputy Under Treasurer, Department of Treasury and Finance, and Ms Tracey Scott, Assistant Under Treasurer, and Mr Frank McGuinness, the Auditor-General. 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 and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and it is being webcast through the Assembly's website. 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 say should not be made public, you may ask that the committee go into a closed session and take your evidence in private, which we are more than happy to do.

I 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. Witnesses, could you please state your name and capacity in which you are appearing.

**Mr BRAINES-MEAD:** David Braines-Mead, Acting Deputy Under Treasurer.

**Ms SCOTT:** Tracey Scott, Acting Assistant Under Treasurer.

**Madam CHAIR:** Mr Braines-Mead, would you like to make an opening statement?

**Mr BRAINES-MEAD:** Yes, I would like to make a brief opening statement, if I may?

Madam Chair, thank you for the opportunity to appear before the committee today in regard to Treasury's role in the AMS project, and in relation to managing ICT projects in general.

Given the significance in financial and asset reporting across government, Treasury has been represented on the various governance committees that have been established during the life of the project. I have been a part of the steering committee since mid-2009.

As the committee is well aware from previous briefings and numerous reports, including from the Auditor-General, the AMS system post-go live, has not yet delivered the required

business functionality. Post-go live, Treasury commissioned an independent health check review in October 2012 due to the issues in relation to financial asset reporting being experienced at a whole-of-government level. This was assisted by the Department of Corporate and Information Services which was, at that time, part of Treasury and Finance, SAP experts, and asset management experts from KPMG Consulting.

The review found AMS to only be 11% fit for purpose and, from a Treasury perspective, the most fundamental of those issues was the inability of AMS to work properly with our Government Accounting System. In both 2011-12 and 2012-13 financial years, as a result of extensive manual work undertaken by staff and the AMS team and in the Department of Treasury and Finance to manually reconcile asset values, we have been able to produce accurate financials at a whole-of-government level.

However, relying on resource-intensive manual intervention is not the ideal way to deal with this risk and, as such, the health check recommended a number of critical remediation projects that have been implemented to address those issues within the system. The remediation stream is focused on fixing the parts of the system that are causing agencies the most problems trying to manage their assets. Critical priority for this stream includes resolving the financial reconciliation on the interface between AMS and GAS prior to 30 June 2014.

Madam Chair, in regard to future ICT projects generally, Treasury recognises the importance of ensuring there is strong governance arrangements in place to support such ICT projects, and is assisting DCIS in developing a new ICT governance framework. This will improve alignment of future ICT investments with government direction, strengthen oversight of high-risk and high-value ICT investments, and put in place a framework to improve the management of such projects. We are happy to take questions from the committee.

**Madam CHAIR:** Thank you very much. We will start with how AMS is getting along with Treasury at the moment. What is its capability? Is it servicing your needs at present?

**Mr BRAINES-MEAD:** Treasury is not a user of the system per se such as the Departments of Housing or Infrastructure etcetera. We do not use the system on a daily basis but, obviously, we rely on the system, particularly with the interface with GAS as far as producing whole-of-government financial reports.

As I mentioned in my opening statement, it became apparent after the system went live in mid-April 2012 with the monthly reporting we got to the end of April, which was by middle of May, there were issues being experienced by agencies and there were issues flowing through to agency's monthly reporting and reconciliation issues. Treasury did not know, at



that stage, the magnitude of those issues, but immediately called a number of meetings of all CFOs together, got the then Under Treasurer to chair that particular meeting to stress to agencies the importance of working together collaboratively to resolve the issues, It soon become clear there were some quite significant inherent problems within the system, lots of manual workarounds. Subsequent to getting through that year end, Treasury undertook the health check review to get a better understanding of what the issues were, particularly from a Treasury perspective. Obviously, it was important to know from a system in general, but Treasury's particular focus was also looking at what was causing all the issues with financial reporting. Obviously, coming out of that review it seems there are quite a few issues, particularly around the interface AMS has with GAS. GAS, a system which has been around for many years, interfaces on a daily basis with 50 to 60 - I am sure these guys behind me can confirm that - other systems. There is obviously something inherently wrong with how the AMS system, and the testing that was done, migrated across.

Unfortunately, despite putting in place a number of remediation projects through the tutelage of Anne Bradford as she took on that project sponsor role, whilst there is some traction those issues still remain at the end of 2012-13. We had numerous discussions with my learned friend on my right hand side around reporting issues at the end of 2012-13, which we were able to resolve adequately from an audit perspective, but there are still issues going forward. From a Treasury perspective, that is the number one priority I guess.

**Madam CHAIR:** How is Treasury staying close to that remediation? You mentioned the issues were raised at the time Anne Bradford had carriage of remediation and now it sits with DCIS. How is Treasury working closely with them to resolve some of these issues?

**Mr BRAINES-MEAD:** Obviously, Treasury is represented by me on the steering committee. The steering committee meets on a regular monthly/six-week basis. Between that we have resources in our financial management group who are working very closely through DCIS, and previously when Anne Bradford was in control, with DoI to work through with the AMS team, working through the issues ensuring that - part of the problem seems to be it is looking at it from a purely system perspective - but Treasury has been involved quite significantly since going live in ensuring it meets business needs and the needs to comply with the accounting standards and accounting principles etcetera.

**Madam CHAIR:** These things have not been fixed not because they cannot be fixed, but perhaps the size of the issues?

**Mr BRAINES-MEAD:** Yes.

**Madam CHAIR:** You are certainly working ...

**Mr BRAINES-MEAD:** We are working towards that and, as others have mentioned, there is the stage gate coming up in February which will look at options going forward not just in regard to the financial reporting, but in regard to everything.

**Madam CHAIR:** You have been on the steering committee for some time now. We have had many versions of what the steering committee did or should have done, and who it reported to or did not. Could you give us your version on the role of the steering committee, what type of things you guys discuss, how regularly you meet, and an overall picture?

**Mr BRAINES-MEAD:** I have been involved since the steering committee - my understanding is right from the inaugural steering committee which was July 2009 - I believe it is important to note there have been some differences of viewpoint this morning, but the steering committee came into being post the decision to go with the SAP product. The steering committee only came into being after that procurement decision had been made and ticked off by government.

The Steering Committee started meeting in 2009 ...

**Mr WOOD:** When you said the government made the decision, did that include Treasury?

**Mr BRAINES-MEAD:** The procurement is run through DoI, which was the owner of the system as it were. The decision was made by government to go with - the business case was put forward to government, obviously ticked off to go out to tender, the tender evaluation was done, and my understanding was that was a decision that was made through DoI through advisement to government ...

**Mr WOOD:** Treasury would not have been involved in that?

**Mr BRAINES-MEAD:** Not in the final decision to go with SAP.

**Mr WOOD:** Okay. There is a financial implication of the contract, of course, and I did not know.

**Mr BRAINES-MEAD:** At that time, you have to remember, it was a \$7m system.

**Mr WOOD:** Oh yes, okay.

**Mr BRAINES-MEAD:** It is still a lot of money, but it was a \$7m system. It was something that was not necessarily deemed to be a high-risk implementation at that point in time. It was being funded by a little money - Housing was putting in some money so, from a Treasury perspective, it was not a significant impost on the Territory budget at that point in time.

**Mr WOOD:** Okay, sorry to interrupt.

**Mr BRAINES-MEAD:** No, that is okay. However, from my perspective, Treasury was not involved - but this goes before my time - in the decision to go with SAP.

**Madam CHAIR:** Going back to the steering committee, sorry.

**Mr BRAINES-MEAD:** Sorry, you were ...

**Mr WOOD:** If we got too far, I would never get back to it.

**Mr BRAINES-MEAD:** No, that is fine. The first couple of years of the steering committee, the meetings were fairly haphazard. There was quite a long interval between drinks, as it were. Sometimes, there were six months between steering committee meetings. I am not quite sure why there was such a delay. The DoI were the ones who, obviously, were facilitating the meetings going ahead. They were quite often put in diaries and then cancelled. It was very early in the stages of implementation. There were, obviously, some issues, when the steering committee did meet, that came to light as far as the blueprint phase went, which was meant to only take 10 weeks, but took 12 months.

Maybe there were some delays, I do not know. You would have to ask DoI. Maybe there were some delays there in calling another steering committee meeting until particular stages of the project had come to a conclusion.

Go live was originally meant to be almost 12 months before go live happened. It was meant to be early to mid-2011. It was only prior to that the steering committee started to regularly meet on a monthly, six-weekly basis. Obviously, as we got closer to go live and, as that constantly was delayed because of concerns by the steering committee in going live with a number of issues remaining unresolved, there were meetings on a fortnightly basis, and even some out-of-session discussions as well.

**Mr WOOD:** Could I just ask a question on that? The project board said they met about every two weeks.

**Mr BRAINES-MEAD:** I cannot comment on that.

**Mr WOOD:** They reported to the steering committee, so does that mean all the reports did not get heard, in some cases, until six months later?

**Mr BRAINES-MEAD:** I would assume that to be the case. All I can go on is the fact that, yes, you are right, the issues that went through the project board flowed up as an issues register to the steering committee. Whether at the point in time of coming up to the steering committee was a complete full summary of issues over the previous six months, or whether it was just issues in the preceding couple of weeks, I could not tell you.

**Madam CHAIR:** Who selected you, for example, to represent Treasury on the steering committee?

**Mr BRAINES-MEAD:** It was the then Under Treasurer.

**Madam CHAIR:** Okay. It would be fair to say, other CEOs would pick their ...

**Mr BRAINES-MEAD:** Because my role at that time was Assistant Under Treasurer and Senior Director of Financial Management, looking after the budgetary side of things. As part of Treasury's role is commenting on all Cabinet submissions that come forward and decisions, I guess my position within Treasury was aligned to this particular governance role, as it were, as opposed to, obviously, Treasury does not have ICT experts.

**Madam CHAIR:** No, no, that is all right. When you guys would meet, you would go through the issues register and the risk register, or was it ...

**Mr BRAINES-MEAD:** At a very high level. It would tend to be exception reporting. The focus of the meeting would tend to be on a traffic light-type approach. It would tend to focus on if there were any issues that were flagged either red, in particular, or amber at the time.

**Madam CHAIR:** Once those decisions were made - what would happen after your meeting?

**Mr BRAINES-MEAD:** Once the Steering Committee made a decision as DoI, and the CE of DoI was the chair of those meetings, I guess it was the role of DoI to implement the decision of the steering committee - what the decisions were.

**Madam CHAIR:** Could you put things onto the agenda for steering committee meetings or was it very much run out of ...

**Mr BRAINES-MEAD:** It was run out of DoI, but if there were issues from our perspective we could try to get issues put on to the agenda or we could raise them in other business.

**Madam CHAIR:** We have talked today about the various Auditor-General's reports and the PricewaterhouseCoopers report and the documentation. It seems not a lot of consideration was given to them, or there was a lack of understanding as to what they were saying. Do you recall having those conversations in the steering committee about the issues raised in the reports like the lack of resources or the lack of documentation?

**Mr BRAINES-MEAD:** Only in a very broad level, not to the level or extent of going into each of the Auditor-General's specific recommendations and how they were being addressed. It was a broader discussion around the issues being raised and DoI providing assurance to the steering committee along the lines of the response provided to the Auditor-General in his reports - remediation was being undertaken to address those issues.

**Madam CHAIR:** Do you think the people in that room placed enough gravity on Frank's comments? Was there a level of serious discussion about it or was it more, 'DoI will take care of that, what is next on the agenda?'

**Mr BRAINES-MEAD:** It was given due consideration, but I cannot speak for others on the committee. Obviously, Treasury works very closely with and takes quite seriously the Auditor-General's findings, so Treasury had quite a stern view of the recommendations. I cannot speak for others around the table, and I guess you have to remember from a steering committee member perspective, a number of the issues Frank raised were in regard to project management and performance management of the system integrator etcetera, which are under the purview of DoI. You also have to remember, particularly getting into the go live phase, that a lot of reliance was placed on the advice being provided by the project team within DoI, Fujitsu, and the system integrator. The Territory had employed a SAP consultant specifically to look after the data migration and the user acceptance testing in the run-up to go live.

It is quite difficult, as a steering committee member, when you are being told, to use a NASA analogy that it is either a "go" or a "no go" - that it is a go by all three parties. It is

difficult to come up with a rationale as to why you should not uphold the recommendations provided to the steering committee.

**Madam CHAIR:** With Frank's comments around unsatisfactory controls and lack of resourcing and things like that, we have heard other people talk about Treasury's role, and Treasury has the money and when people run out of money they come to you. A few people commented that issues did not turn into ministerials, they did not go up to Cabinet, they were pushed back by Treasury who said, 'Too bad, you have to find the money inside'. It would be interesting Treasury's perspective. You have obviously been close to the project over its lifespan. What was Treasury's thinking in that resourcing, and where does it get its ability to make the judgment and say, 'No, you have to find that now, you are on your own. Too bad, you are not getting more money.'

**Mr BRAINES-MEAD:** Obviously, you have to understand Treasury's role is to provide the advice to government. Obviously, as you are aware, it is government that makes the resourcing decisions. I listened to a few of the comments this morning. It might be useful if I take the committee through my understanding of the stages of the funding as the project continued on.

Obviously, the initial project was \$7m or thereabouts. It came clear once the procurement phase had ended that it was already up to about \$14m or thereabouts. At that point, Department of Housing had put in \$4m as well, given - as they previously mentioned - half of the transactions going through AMS relate to them. There were discussions, not necessarily through steering committee meetings, between me, the Under Treasurer at the time, the Chief Executive of the Department of Infrastructure about Treasury being concerned at the costs increasing throughout the project.

Ultimately, the cost increased up from \$14m up to around \$28m by the time it went live. Some of that was funded, again, through usual budgetary processes, through ministerials up to the Treasurer and, in one instance, as an example, utilising at the end of the financial year some capacity the agency had through underspends in capital works to be able to, without affecting the budget bottom line, use that money towards the AMS project. Ultimately, in the following financial year, a similar approach was taken. Again, the responsibility was on DoI to put up the requests through their minister to government. There was also some funding that was provided. There are two elements to this project: there is a capital or up-front cost in developing the system, but there is also ongoing costs of maintaining the system, licences, etcetera. Another way of them managing within their budget was to utilise some of that funding over the forward estimates.

I heard a comment which also interested me about staffing caps this morning. Obviously, that was something the previous government had in place for agencies to be able to manage their budget. The point to be made there is, whilst there was a staffing cap in place, the staffing cap is not there for agencies to make inadequate business decisions. If they really

felt they needed the resources, then they should have come forward, through Treasury or through their minister, to government to ask, as they did, for additional resources. I was not quite sure, I think there were a couple of comments that Treasury knocked back funding at one stage, which I was not aware of.

Treasury is, obviously, concerned at the amount of funding that is being put in place for this particular project, but Treasury would never say along the lines of no, and setting someone up to fail by not allowing them the opportunity to go back to government for additional resources. Subsequent to going live following the health check, that was something then, with the findings of that, that was put up to government around mini-budget, around looking at options going forward and additional funding to take the project cost up to the \$50m the committee is aware of at the moment.

That is a Treasury perspective of the funding elements.

**Mr WOOD:** When the contract went to \$24m or thereabouts, the extra \$26m brought it up to the \$50m. I asked someone else this same question. Are you able to say where that money has come from? Is it internal money, therefore, not counted, or is it Treasury Advances, or new budgets?

**Mr BRAINES-MEAD:** Since the project went live, and following the health check review which was done around October 2012, at that point in time, once the health check was finalised, the amount that had been spent was already up to approximately \$30m. The additional money that has been spent since that point in time was approved by the current government through usual Cabinet processes.

**Mr WOOD:** Right. Okay. Not a lot ...

**Mr WOOD:** Yes, but not a lot of money has come out of departments except for the \$4m. We are hearing they have had to do the internal training and all that sort of stuff. Is the cost of that included in the \$50m?

**Mr BRAINES-MEAD:** A portion of that is, yes. Not all of the resourcing, but again that is something you would have to ask individual agencies - how much of that resourcing has been put through DoI as part of the additional resources, and how much they have had to absorb from within because of the additional manual workload they are having to do.

**Mr WOOD:** That would take some time because we would have to use the AMS system to find out what they spent.

**Madam CHAIR:** You might have mentioned this in your introduction, but going forward with DCIS, does Treasury have people on those various committees?

**Mr BRAINES-MEAD:** On the governance committees?

**Madam CHAIR:** Yes.

**Mr BRAINES-MEAD:** Treasury will be involved in that steering group. Treasury will work very closely, as we have done, in developing that framework which is still under development - working very closely with them. It will also involve Treasury, which maintains the Treasurer's Directions which sit under the *Financial Management Act*. Treasury has already earmarked a series of Treasurer's Directions, which Tracey will oversee in relation to ICT projects going forward. Obviously part of it is looking at what has gone wrong, but it is going forward and trying to implement processes and governance arrangements to make sure that we learn the lessons of what went wrong and it does not happen again going forward. Treasury is a key stakeholder in that.

**Madam CHAIR:** Does Treasury have any oversight role in major projects? I know you are helping set up this framework for ICT, but say it was Tiger Brennan for example, are there points where Treasury pops in and out and has oversight of that for – if there are overruns in costs and things like that, or it is not really ...

**Mr BRAINES-MEAD:** Not specifically for - you used Tiger Brennan as a capital works program. Obviously we would be involved in any requests that came through to change the scope that had budgetary implications, we would obviously - as we do with any submission going forward - ask the relevant questions, but we would not necessarily be part of a steering group per se.

You mentioned major projects. Obviously Treasury is involved in either policy frameworks across government where government is looking to change its policy frameworks, or major projects such as the Marine Supply Base and those types of things. Treasury has significant involvement in those, but not necessarily for a capital works project.

**Mr WOOD:** In relation to what Anne Bradford said about – they did not see much light at the end of tunnel in relation to the fact seven of their modules do not work under the system, does Treasury take that into account when they have to decide to release more money, or is it part of this difficult decision that someone will have to make about whether we go down, we close this down, keep going, or even go for a third option?



**Mr BRAINES-MEAD:** That is where we are all working towards. Since go live, certainly from a Treasury perspective, the main focus has been on making sure we can do whatever we can to keep the system working on a daily basis, albeit lots of manual work around. We are more in the remediation phase. The next step is – and DCIS is with KPMG as consultants currently doing a review – it is likely around February next year – early in the new year – there will another stage gate which will look at all the options as far as what the way forward is.

It is not going to be an easy decision, and you have to remember part of the issue is whichever way we go we are pretty much stuck with AMS for another year or two because, even if we revert back to legacy systems, that will take a year to two years to upload all the data back into there. If we go with a completely new approach, we still have to keep going for a couple of years. It is something we are making sure we get bona fide advice on to make what will be a very difficult decision.

**Madam CHAIR:** This manual inputting must be of concern to Treasury. Hearing the CE of Infrastructure saying AMS can just do this, then they have to extract data and put it into spread sheets, then do some Excel calculations. That sounds very worrying.

**Mr BRAINES-MEAD:** The whole thing was before my time, but the whole business case was around getting rid of nine legacy systems and we will have efficient and more streamlines business processes going forward, which would mean there would be less input from individuals in agencies. It, obviously, has not turned out that way. It is a concern to Treasury, as it is a concern to all agencies.

**Madam CHAIR:** I very much thank Treasury for attending today. We know you have waited a long time and we are very apologetic for that. We very much appreciate your input and all the preparation work you, no doubt, had to undergo to appear before us today. Thank you very much for that.

We will have a 10-minute break now, seeing Power and Water are not here – oh, they are outside. I take that back, Power and Water people are here. We will commence a 10-minute break, so thank you very much to Treasury.

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The committee suspended.

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The committee reconvened.

**Madam CHAIR:** On behalf of the committee, I welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee Mr John Baskerville, Managing Director of the Power and Water Corporation, Mr Anthony O'Hara, Chief Information Officer, Mr Kelvin Strange, General Counsel/Company Secretary, and Mr Antoni Murphy, Senior Manager Risk and Compliance. 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 and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. 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 what you will say should not be made be public you may ask the committee go into a closed session and take your evidence in private, and we are more than happy to do that.

I 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.

Witnesses, could you please state your name and the capacity in which you are appearing?

**Mr BASKERVILLE:** John Baskerville. I am the Managing Director of Power and Water Corporation.

**Mr STRANGE:** Kelvin Strange, General Counsel/Company Secretary, Power and Water Corporation.

**Mr O'HARA:** Anthony O'Hara, Chief Information Officer, Power and Water Corporation

**Mr MURPHY:** Antoni Murphy, Senior Manager Risk and Compliance, Power and Water Corporation

**Madam CHAIR:** Thank you. Mr Baskerville, would you like to make an opening statement?

**Mr BASKERVILLE:** Yes thanks. Power and Water Corporation is in the process of constructive transition. The corporation has under gone, and continues to undergo, revision, restructure, and renewal. This process is extensive and involving and affects every level of business and staff, as well as stakeholders and customers.

Part of Power and Water's renewal strategy is to improve management of our assets. These include all above and below ground pipes, pumps, poles, wires, generators, buildings, sewerage systems, and transformers.

This process began in 2006 when a project was initiated to improve Power and Water's asset management capabilities and upgrade the Asset Management System. Completion date was estimated in 2011. The enormity of this project must be seen in context of Power and Water's recent business history. Power and Water has grown from a small authority in 1986 when the Territory population was around 154 000. By 2006 the Territory's population had grown by 32% to approximately 202 000.

In 2006, in recognition of the Territory's ongoing development in business potential and the change taking place within the organisation, combined with the need to better manage Power and Water's infrastructure assets, the Assets Management System project was initiated.

Since then, the Territory has continued to grow, with our population now around 230 000, a further increase of 14%. This ongoing development places further demands on Power and Water planning, infrastructure, and maintenance.

In 2006-07, Power and Water Corporation invested approximately \$75m in assets. By 2010 this had increased to over \$350m, with around \$288m spent in the latest 2013 financial year.

Overall investments in Power and Water assets has increased by \$977m since 2009. Today, Power and Water's assets top \$2bn.

We deliver electricity infrastructure services to over 85 000 customers across 1.3 million square kilometres of some of the hardest conditions in the world. This includes more than 8800 km of power lines, 2800 km of water main and 1400 km of sewer main. We are also contracted to maintain more than 22 000 street lights.

Managing and maintaining this, involving asset portfolios, is an expanding and demanding task of significant implications for any asset management system. The objective behind the decision to purchase the integrated asset management software was to utilise, maintain, service, replace, and manage all Power and Water's asset in an efficient, cost-effective, and professional manner.

The emerging challenge was to ensure the Asset Management System would have enough capacity to respond to future needs. The initial proposal put forward in 2006 was largely focused around improvements to IT systems which supported asset management. The project involved the purchase of an off-the-shelf asset management product and a GIS system, combined with an upgrade to the existing finance system. There would be limited integration to the system given the size of Power and Water's capital program and sophisticated approach to asset management. The original estimate for the project was \$14.5m. Over time, it became clear this approach was not going to deliver the asset management improvements and benefits Power and Water was after.

Taking into consideration Power and Water's continual growth, the changing regulation environment, and the ever-increasing asset management needs and demands, a more sophisticated asset management capability was required. Put simply, the initial idea of upgrading existing systems with limited integration with new asset management software proved to be clumsy and inefficient. It was not going to work.

As a result, the scope of the project was adjusted to base line in 2008, and a new strategy and business case was developed in conjunction with the project steering committee and endorsed by the Power and Water board. The project name was changed from asset management system project to asset management capability project to reflect the wider scope of the project. The cost estimate for the project was \$20.2m.

This new approach provided for a renewed asset management capability which was focused on improvements to the whole asset management process not just given IT systems, including areas such as data quality improvements, process improvements, and greater system integration. The fact the asset data in the AMC system is being used as a basis for the current revaluation of Power and Water assets is testament to the significant improvements in this area over the life of the project.

Appropriate expert advice was also engaged to provide advice throughout the project. A project execution plan was developed and involved a project charter, resource plans, test plans, quality plans and change management plans. The government's AMC project included a steering committee comprised of the Managing Director, the then Managing Director, the Chief Finance Officer, the Chief Information Officer, General Counsel and managers. I might add the General Counsel is the only person here that was there in that point of time. We are all new.

This committee operated with a defined charter and met regularly throughout the project; however, the Auditor-General's report highlighted the size of this committee potentially limited the extent to which the committee could effectively debate issues and make effective decisions.

The choice was made that the new system would be tailored to Power and Water's existing and growing business needs. A tender process was undertaken in December 2008 to select an implementation partner. IBM won the tender and KPMG was appointed to assist the project planning, process design and to provide quality assurance services. A revised business case was approved by the board on the cost estimates of \$27.4m derived during the procurement process.

Project planning process was independently reviewed by Ernst & Young in early 2009 with no significant improvements identified at that stage. However, circumstances intervened and posed challenges to the implementation of the new Asset Management System. Principal among these intervening issues was the failure of Casuarina zone substation and the resulting Mervyn Davies' report that highlighted the poor state of some of the key electricity assets, the urgent need for improvement in asset management processes, and he supported the need to increase the corporation's capital program to address the issues.

Consequently, management resources and capability had to, in the short term, be redirected away from the AMC project. Project delays and issues stem from litigation of existing data from the old system to the new system; extra testing required as issues were found; whether at the time the business was ready; there was a significant change in management approaches; and large numbers of defects which were system and data problems.

In 2010, the project's scope and cost was reviewed at the end of Stage 2, as planned. The review resulted in an increase in project budget to \$32.4m. To adjust the shifting priorities, resourcing issues and implementation delays, variations to the business case were developed and approved in 2011 and 2012. These variations resulted in the project budget being increased to \$57.8m.

AMC software went live in 2012. The consequences of that was two key areas of change: time and cost. In time, the AMC project commenced in 2006 with an estimated completion date in 2011. Changes to the business case and project variations resulted in the project being completed in August 2012. There are a number of factors that impacted in the original time line. These are: alterations to the scope including increasing in scope such as procurement; a greater number of defects than planned; a vulnerability of resources, both

internally and externally; data issues being more significant than expected; and longer than planned system configuration and integration of activities.

There were also a number of factors that impacted on the overall cost of the project: a change in approach from a single off-the-shelf management system to a more complex integrated management solution; lack of availability of key Power and Water staff due to the arising needs in other areas in realigning the operational priorities; lack of availability of local specialists; information technology and project management skills; increase in the scope of the project, including customisation that needed to take into account the regulation changes recommended by the Mervyn Davies' report following the Casuarina substation failure; significant increase in the capital expenditure program; changes to the asset maintenance regime; and a large number of defects identified at various stages throughout the implementation, all of which required remediation.

Despite the difficulties and the road to this point, Power and Water now has an asset management system that can assist in the management of maintenance and management of its over \$2bn worth of assets. The Asset Management System is currently being used across the business for all asset classes. However, issues still exist as far as data quality mitigated from legacy systems, consistent business practice, user expectations of previously having customised systems, and appropriate reporting in a Power and Water context.

We are starting to see improvements in the area such as the preventative maintenance, which should lead to the reduction in the unplanned maintenance over time. Also, it provides a base to build business capability improvements in the future, such as improving planning scheduling of resources. Procurement strategies are also being refined and tightened.

In conclusion, the key objective of the AMC project was to improve Power and Water's asset management capabilities, supported by the implementation of the new IT systems to replace an existing collection of outdated systems that were poorly integrated, well beyond their economic life, and no longer supported by the vendors.

Through the new asset management software, we will, over time, be able to provide a more complete and accurate information on assets, performance and conditions, more efficient use of management in relation to business processes, and support the delivery of improved power, water and sewerage services. The system is supporting our core business. There are still issues; however, the system is working. It provides an integrated approach to improved functionality over our previous systems, and will support our continuing improvement in core asset management capability in the future.

The organisation culture of Power and Water in regard to asset management has also changed considerably over time. The implementation of the AMC system is one step in a continuing journey to enhance asset management capabilities and performance.

These improvements will continue to grow as knowledge and skills develop further throughout Power and Water over the life time of the software. Over the six-year life of the project the total system cost is only 1.3% of total expenditure over the same period.

With an asset base valued at over \$2bn, the investment in a 21<sup>st</sup> century quality asset management system is proven, wise and essential. Power and Water is not only about people and the business of the Northern Territory, it is about being an essential service to those people in business and doing it in the most effective and efficient way. Power and Water customers deserve the best infrastructure and asset management processes we can deliver. Our asset management capability improvement is a key component in that ongoing commitment.

**Madam CHAIR:** Thank you very much.

**Mr BASKERVILLE:** I hope you got the story.

**Madam CHAIR:** We have the story. Obviously, we have spent all day learning about the Asset Management System which started with DoI. The asset management capability, whilst it may have had a similar journey, it has obviously taken a different tangent.

I thought perhaps the best way to start might be - you said the AMC now supports your core business, is it now meeting your business needs and you are happy with them? You mentioned continuous improvements. Is Power and Water on a remediation program, or is it now delivering what you want it to deliver?

**Mr BASKERVILLE:** If I can just say, then I will pass on to the experts; I am not an expert in IT and do not profess to be, but from an operational point of view the message I am getting from the troops, who I take a lot of notice of, is things are improving. When I came through the door in March/April the first thing that hit us in Power and Water, as a new managing director and the board, was the Maximo was not working. 'We cannot do our job because the Maximo doesn't let us do it.' We have come a long way in that short period of time. I will ask one of these guys to answer the question further.

**Mr O'HARA:** The system is being used to operate the core business and service delivery aspects of PWC daily by almost our entire workforce. Notwithstanding that, there are certainly deficiencies we are continuing to address, many of which we have addressed over the time since the system has gone live, and we are planning forward on a basis of reviewing our priorities for addressing any residual matters that exist with the systems.

As John mentioned in his opening address, this is also part of our broader asset management capability. This also flows into organisational capabilities, the ability of staff to leverage the system appropriately, and to ensure people are working in a way that is complementary with what the system can do.

**Madam CHAIR:** With AMS we heard a job which used to take an hour might now take quite a few more than that. Have you found AMC has created efficiencies from what you had and you are in a process of even further refining that, or is it still causing clunkiness in the way the every day Power and Water staff person accesses the system?

**Mr MURPHY:** In some areas we have to collect more data than we did in the past about our assets and condition of the assets. In some cases, as we expected, some processes will take longer, but in other processes there should be efficiencies.

**Mr WOOD:** On the ground for instance, when you have someone check a power pole it will usually have a number stamped on it. Will they have some sort of electronic device that will go da, da, and he does a visual check, I presume, of that pole, and that is fed into the system, which says what the status of that pole is at the moment?

**Mr O'HARA:** We, obviously, have a direction that facilities such as that are going to be beneficial to Power and Water across the board in targeted areas. However, currently, for instance in power networks, those types of activities are being undertaken in order to verify assets in the field.

**Mr WOOD:** This will help improve all that knowledge base. When the life of a particular asset is due to be replaced, some little signal will come up on the board, leading into the period when that should be replaced? It will send out information that will tell you it is now time to do something.

**Mr O'HARA:** We will be able to use the facilities within the system, as well as the practices within the business units to make sure we can leverage the information the system holds and the functions it provides to perform activities such as that. We will be moving on to address the planning and scheduling aspects of maintenance work. but also, essentially, issues around how best to maintain assets over their lifespan.

**Madam CHAIR:** Would you ...



**Mr BASKERVILLE:** The guys in the trucks now have tablets, like little iPads, and it all goes back to the central ...

**Mr WOOD:** Yes. We asked about remote housing. I presume they cannot do it.

**Mr BASKERVILLE:** No.

**Mr WOOD:** Which is a bit sad.

**Mr BASKERVILLE:** Yes.

**Madam CHAIR:** Would you say that asset management capability project is finished, or is it is still gong?

**Mr BASKERVILLE:** Still going.

**Madam CHAIR:** Still going. Okay.

**Mr BASKERVILLE:** One of the bit impediments we have had is getting expertise. I have an expert behind us now who has only been with us for about a month. We are making a lot of inroads now in that area.

**Mr WOOD:** What about training? That was an issue. Housing has said they did not have enough training on the business side, which they understood, but there was not an IT side they understood.

**Mr O'HARA:** It is fair to say that one of the lessons we learned from the project itself was the absolute criticality of ensuring that change management, including training, is properly addressed within the project as part of the delivery of the system within the business. However, since go live, as we have prioritised improvements to the system in key areas, we have also made sure we have addressed training at those times. It will still be an important factor for us going forward.

**Mr WOOD:** Did you include training? Is that included in that \$50.4m budget, or is training an extra?

**Mr MURPHY:** There was training provided during the project.

**Mr WOOD:** Was. So, that is part of ...

**Mr MURPHY:** It was training.

**Mr WOOD:** ... that money?

**Mr MURPHY:** Yes.

**Mr WOOD:** That is okay.

**Madam CHAIR:** Some people talk about this project as having scope creep, and other people say that is not fair, they had a change in need and had to realign the project. Could you explain in a bit more detail why what you originally thought you needed evolved into what it is today?

**Mr MURPHY:** In 2006, because the corporation had a small management program, following on from Casuarina, and it was quite immature in assets. We needed to have these capabilities we did when you move forward to, say, 2008-09. The original project was to upgrade two systems, the Asset Management System and the GAS system – buy new ones, sorry – and integrate those into an upgraded finance system with limited integration. Moving forward to 2008-09, when the business case was redone, it was more about no just a system upgrade issue, but all the asset management processes around the system as well: procedures, data quality was a big matter.

The Mervyn Davies report identified that we needed to update our data quality. That increase discovered the project. It almost was a different project to what was originally planned in 2006.

**Madam CHAIR:** Why did Power and Water experience such growth in just those two or so years? It seems funny that in 2006, you could not foresee the need you would have in 2008.

**Mr MURPHY:** It stemmed from the Casuarina Zone Substation failure, with the Mervyn Davies' report indicating there were many asset condition issues. Stemming from that report, there was a large increase in the capital program. Kelvin might ...

**Mr BASKERVILLE:** Yes, some of our facilities are dated back to pre-Cyclone Tracy. The likes of Casuarina, Snell Street, and City Zone, and all of those major zone substations ...

**Mr WOOD:** Then there is the pooh shooter.

**Mr BASKERVILLE:** Yes, they were worked to the max. That is one of the reasons why the big growth.

**Madam CHAIR:** Okay.

**Mr BASKERVILLE:** Plus the Territory has grown.

**Madam CHAIR:** Yes, of course. How did Power and Water work up its tender? We have heard from other departments, when they went through that experience they had various committees to nut things out, particularly how many resources they could throw at it. Did Power and Water go through a similar thing where they said. 'We can only put this much into it. The rest of it needs to be the contractor delivering the goods.'

**Mr MURPHY:** Power and Water went through a requirements phase where we had consultants, we had KPMG, we had internal staff, and we defined what the requirements were. We came up with over 1000 assessment criteria the system was to be evaluated against, and then we went through a formal tender process which is where we selected the vendor.

**Mr STRANGE:** Madam Chair, it would be fair to say leading up to the issue of the tender, there was a huge amount of internal governance going on about the development of the business case. Before we even reached the stage of going out to tender the scope and size of the approximate costing of the project, as it then was, would have gone through an internal governance process and been signed off by the board before it went out to tender. It was at a later stage when we had gone out to tender - that again would have gone back through an internal governance process and back up through the then managing director and through to the board for approval.

**Madam CHAIR:** The member for Nelson said previously it is all well and good to upgrade systems, and he makes the comment everyone for some reason or another wants to upgrade, whether it is the ICT businesses pushing that or whether it is needed. Was Power and Water able to identify in advance or maybe now, that it created efficiencies in your business or it is better for your business? We know with some of the other departments it

has cost a lot of money. It is now very hard and time consuming to use and the end result being - has Power and Water at least been able to see a good outcome from it?

**Mr WOOD:** A cost benefit analysis?

**Mr MURPHY:** We are starting to see benefits in some areas, as mentioned by Anthony, around things like planning and maintenance - the ability to predict the condition of our assets and maintenance requirements. We are seeing data quality has improved significantly. Rather than information previously being held on spreadsheets and things like that it is now in a central place.

We can track our assets at a much lower level. An example might be previously we might have 2 km of pipe, now we can take that down to the sections of pipe and identify the issues, when that was put in the ground, and it helps our maintenance planning when those sections need to be replaced.

We are starting to see benefits. There obviously will be a number of benefits which will not accrue initially. This is a big project and there is still bedding the system in and getting the users used to it, but efficiency, potentially, will come down the track as well. We are starting to see benefits.

**Mr WOOD:** The AMS system had to be connected to GAS and had issues about paying sub-contractors and all that sort of thing. Are you connected the same as that? Do you have integration with other programs you operate?

**Mr MURPHY:** Not with GAS, but within the corporation, yes. Our asset management system does integrate with our finance system.

**Mr WOOD:** You have sub-contractors you pay as well. Is that connected into that? When we were listening to Housing, they have people who do some maintenance on the houses, repairs and maintenance, emergency repairs and all that sort of thing and that can be their contractors. They had problems paying them at one stage because there was not that integration of the systems. Do you have any problems like that or is your system ...

**Mr MURPHY:** We have no issues with payments. The issues we had around payments were resourceful, they did not relate to the system. The system itself has been able to pay our vendors or our suppliers within the terms.

**Mr STRANGE:** In summary, member for Nelson, we have not had a history of any issues related to payment of contractors or sub-contractors arising from the implementation of the project.

**Mr WOOD:** To make clear, this is not an SAP system it is an IBM system, is that correct? Is that the way I should look at it?

**Mr STRANGE:** IBM Maximo. It is an IBM product.

**Mr WOOD:** If the government has to make a decision over AMS, it might be looking at IBM.

**Madam CHAIR:** Obviously, expertise was raised as an issue and something we have heard a lot about. What strategies did Power and Water use to ensure people with the right expertise were working on that project throughout the life of the project?

**Mr STRANGE:** Madam Chair, it is never an easy task. We cannot sit here and say it was an easy task for Power and Water either. It has been a massive project for us, and we have had all the problems any other agency or organisation would have in retaining expertise - locating it in the first place and keeping it.

We did, however, set up a fairly detailed internal government system which has been clearly evidenced in our submission and, perhaps, in the information that was provided separately. We ended up with an internal government structure - which may pay for me to briefly describe and might assist.

We had a project steering committee at all stages throughout the project, upon which sat most, if not all, of the executive management team. In Power and Water that, basically, means you have a representative from each arm of the operational businesses. You have a General Manager Networks, General Manager Water Services. They were all involved at that level. That project steering committee, ultimately, reported to the Managing Director and, ultimately, up the board, of course.

We had a specific project team which was headed by a project director. We had, at all times through the course of the project, what is known as the project sponsor. In our case, the project sponsor sat with a particular general manager role, and it was a general manager strategy-type role that always was the project sponsor, and to whom the project director reported to and worked with. Of course, that project sponsor was on the steering committee.

Early on, in expertise, the steering committee on which I sat for most of the project as well, received regular updates, generally on a monthly basis, at which time we would get reports from the project team, program director, and the sponsor. Also, one avenue of getting expertise, if it was not in-house, was we would use external expertise such as KPMG. I think Mr Murphy referred to that earlier. For instance, they were involved earlier on in the solution design. It was a bit of both. We had times where we would lose people, like any organisation, who are not always easily replaced. However, that is an issue inherent not just here, but anywhere, but particularly so here, given our size.

**Madam CHAIR:** In your steering committee, it is heartening to know you had an exec from each of your divisions or whatever you like to call it. Was that to ensure the product you were developing, be it the scope or more operationally, was fit for purpose? We hear a lot that one department might have developed it, but it did not suit another department's needs. By having all of those people from Power and Water on the steering committee, did that mean everyone's concerns in Power and Water were being addressed and developed?

**Mr STRANGE:** Absolutely. The general idea - at least in theory, it may not always work in practice - is you would have everybody's interests recorded from each of the operational business units. That is not to say everybody around that table was an IT expert, because they were not, which is why you bring in the external expertise.

**Mr WOOD:** Do you have gateways in that system where you review it every so often, and say, 'We will continue', or ...

**Mr STRANGE:** Member for Nelson, there were a number of stages, whether they be called formal or informal gateways, where it would go back to the steering committee and back up to the board for approval, yes.

**Mr WOOD:** Sorry, Madam Chair.

**Madam CHAIR:** That is all right. A lot of what we are asking is what is the success or failure of the projects so we can get an idea, because we would eventually like to form recommendations to government for the future. Going back to having all those people on your project steering committee, do you see that as a strength of the project, or are there lessons you have learnt from it, and positives coming out of it? If you could just flesh that out a bit?

**Mr STRANGE:** I believe they were definitely strengths of the project. It would have been very difficult for us to come up with a different governance process. If we would embark

upon a similar project, would we have a similar government structure? Absolutely, because it was, clearly, appropriate government structure for the project.

**Madam CHAIR:** Did you have trouble getting buy-in from all of those division heads as such?

**Mr STRANGE:** Are you asking me is it difficult to get 12 people around a table to agree? Of course.

**Madam CHAIR:** Not so much agree, but at least engage with the project and understand it will affect their division and that they need to speak up.

**Mr STRANGE:** There were always certain personalities around the table who, for various reasons, had specific interests in the project and who were more vocal and have more input and, perhaps, more understanding of what was going on. In general terms, each of the general managers and others at that table all knew the significance of the project and how important it was to the success of the corporation moving forward.

**Mr WOOD:** A bloke about 2000 years ago got 11 out of 12 to agree with him. On the budget, when you started the program did you spend some of the money on a program you did not use? Therefore, is \$50m the real cost? Say the program we have working now, if you were to implement that from the beginning, would it cost \$50m or would you have lost money along the way because there were adjustments? You got rid of the first system and replaced it with another one, and then you did some adjustments, but if you had the one system you have now from beginning to end, would it have been \$50m or cheaper?

**Mr STRANGE:** I am not sure I am qualified to answer that question. If we had a clear direction in what we wanted back in 2006, member for Nelson, I am sure the budget would have been different from where we ended up. You must bear in mind this was a project which came about by stages and external events.

**Mr WOOD:** I was not being critical, I just thought if we are looking at the actual cost of the program you have now - I do understand all the issues that came in along the way, but of the \$50m what amount could be set aside for the program you have now, or is that not possible?

**Mr STRANGE:** As they lawyer at the time, I do not think I am qualified to answer that question. This is what I am trying to say.

**Mr MURPHY:** It would be difficult to answer. It is difficult to make that assessment whether it would be \$50m or another number.

**Mr WOOD:** Yes, but sometimes figures are bandied around and statistics are wonderful things, but unless you analyse if that is the true figure of what you have today - \$50m subject to things that happened over time in getting that point.

**Mr MURPHY:** We have not done that analysis to make an informant response.

**Madam CHAIR:** In March 2013 the Auditor-General did a post-implementation review which raised some issues I mentioned before. Frank said the buy-in from business units was not optimal although it seemed you had the governance structures in place from what you are saying. Is there anything you would do differently? I know your governance structures were reviewed in 2011 so was that part of recognising the buy-in was not there, or was it just a constant review process within the business to ...

**Mr MURPHY:** The changes that happened at the end of 2011 - we had our project manager leave and elevation to a general manager was put in place. We elevated that position because we were getting close to go live and wanted to ensure we got the system in. Those changes were largely factors around personnel resource issues and trying to make sure we got the project done as soon as we possibly could.

**Madam CHAIR:** Also, user acceptance testing revealed there were differences between user expectations and what had been designed and built - this was in September 2011. What key factors produced that outcome?

**Mr MURPHY:** Previously Power and Water had heavily customised systems which did a lot of what users wanted in terms of - this is not for built internally, they were there to meet the requirements, and when you go to an off-the-shelf package sometimes it does not do everything you want because that is the nature of buying an off-the-shelf package. Some of it was around change, some of it comes back to training, and some of it comes back to some of the issues and defects we had within the system. Also, the expectations people have versus what was delivered, and what we thought was going to be delivered as part of the system.

**Madam CHAIR:** Do you think if Power and Water had to undergo something like this again you guys have taken stock of all those issues and would be much better prepared in future planning? Change management and some of those training things certainly came out of our other inquiries that people just did not anticipate how critical that was going to be to the success of the project.



**Mr O'HARA:** It is fair enough to say that in line with NTG itself we focused heavily recently on our IT governance practices in putting formal bodies in place to ensure that is happening consistently but, also, ensuring that IT projects are viewed as business change projects, and we do not ignore those elements. I believe there are definite learnings we have taken from the earlier project. We are ensuring, as I said, our future direction; that we follow those practices and ensure we give them consideration when we are planning the project, rather than discovering them during the project.

**Mr WOOD:** One of the things is the ongoing cost of having a system in place. Can this system go on for many years just with a moderate upgrade, or will you have to go through the whole process again after a number of years?

**Mr O'HARA:** I believe every system of this nature, as the previous speaker mentioned, is a packaged application and they have their own life cycle. It is normal you would upgrade those systems periodically in order to avail yourself of the new capabilities of those systems as they are developed, and in order to make available improvements in your asset management capabilities within the organisation itself. Some of those capabilities may only be supported by later versions of the software.

It will be inevitable, as with every other package system we use, that we will go through those activities, subject to proper planning. It is also normal there would be improvements in business practices which would require some change in the systems to ensure they can be supported properly.

Again, moving forward, we will be targeting our investment and our planning in those areas which will deliver the greatest results for the organisation, and can also be balanced in what the system is capable of, and ensure we do not do things like customise the system overly, and those types of considerations.

**Madam CHAIR:** The project itself is not finished. Do you guys have a point in time when you think you will be able to say it is completed, and anything after that is just system upgrade or other more common types of renewal rather than the project itself?

**Mr O'HARA:** We are currently taking the opportunity to do a review of our current state and where we need to be, and what that gap is. That will inform the investment and will be a business decision in the justification associated with making any of those investments. It will be treated in that way, as a business decision, and the cost related to the benefits we will receive.

There will be normal maintenance activities which take place, and we have already indicated an ongoing focus on things like data quality and those types of concerns. It will be business as usual changes which are very targeted, but long-term improvements will be treated as a strategic consideration.

**Madam CHAIR:** You are undertaking a review at the moment, did you say, to work out where you are at and how ...

**Mr O'HARA:** Yes, the organisation is doing that at the moment.

**Madam CHAIR:** When will that be completed, do you think?

**Mr MURPHY:** At the end of January, we believe the initial results will be in. The results that come out of that review will help to inform what our future strategy around the system will be.

**Madam CHAIR:** Going back to we talked about changing the governance structures when you had that change in personnel in 2011. Do you believe those new appointments with the project manager and the general manager meant you were able to get towards completion in a more timely manner? Did it benefit or hinder the project?

**Mr STRANGE:** I believe, yes, it did. Perhaps one of the learnings out the project - and I believe it was in the submissions where we touched on it - is when you have such a large steering committee, it is hard to always get consensus. Everyone comes to the table with their own wish list. The decision that was made to get it down to a smaller group as we got nearer the end of the project was in reaction to those issues. I suggest that if we embark on a project again we might slightly tinker with the governance to have a smaller steering group. Our submission suggested that, generally, that would be a way to go.

**Madam CHAIR:** All right. I think that is it. Thank you very much everyone from Power and Water for coming along. We know you have taken a great deal of time to prepare for today, and also to make your submissions and, of course, for coming this afternoon. We greatly appreciate your cooperation. Again, thank you for your time and your openness. Hopefully, your project continues to track well and wrap up as soon as possible. Thank you very much.

We will have a five-minute break before we call on Health.

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The committee suspended.

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The committee reconvened.

**Madam CHAIR:** On behalf of the committee I welcome everyone to this public hearing into the management of ICT projects. I welcome to the table to give evidence to the committee Mr Jeffrey Moffet, Chief Executive, Department of Health; Ms Jan Currie, Senior Director; and Mr Stephen Moo, Chief Information Officer. 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 and the protection of parliamentary privilege and the obligation not to mislead the committee apply. This is a public hearing and is being webcast through the Assembly's website. 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 that the committee go into a closed session and take evidence in private, and we are more than happy to do that, so please do say so.

I 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.

Witnesses, please state your name and capacity in which you are appearing.

**Mr MOFFET:** Jeff Moffet, Chief Executive, Department of Health.

**Ms CURRIE:** Jan Currie, Senior Director, Department of Health.

**Mr MOO:** Stephen Moo, Chief Information Officer, Department of Health.

**Madam CHAIR:** Thank you. Mr Moffet, would you like to make an opening statement?

**Mr MOFFET:** Yes, thank you, Madam Chair. Thank you for your time today.

We have phrased our response. We provided a response to the committee in relation to your specific inquiries in relation to the success or failure issues we have observed inside our current GMS procurement and contract including cost, time, user needs, and project objectives. The committee will note, from a cost perspective, we believe we have retained good cost controls over the project, and will realise significant value for money in delivery of the final product and its utilisation inside Health and, possibly, in other parts of the NTPS.

From a time perspective, at the last committee hearing we indicated that January was the delivery time frame for the GMS. We have had issues in relation to renegotiation of the contract and the scope that has seen that time frame change now to February 2014.

In meeting user needs, we have had extensive user consultation process as part of the issues in relation to delay, which have been about adopting a new project methodology which have engaged a significant amount of users across the system in methodology that Stephen can describe. Essentially, it relates to seven key phases of the projects referred to as sprints.

In the final project objectives, we believe, as per our information to the committee about a month ago, we will achieve - in fact, probably exceed - the project objectives around accountability, grants management, and better planning capability for the future.

**Madam CHAIR:** Great. Is the grants management system working at all at the moment? Is there a ...

**Mr MOFFET:** No. The intent was to have it implemented by July this year to receive the product in January and have an implementation time frame of four to five months for the first phase. We, in engaging with Fujitsu, received an alternative time frame of May. We then engaged with them around the reasons for that delay and, together with our internal team, settled on a more realistic time frame of February, which is still the time frame. We are 80% of the way through the project.

There are seven phases to the project. We have completed the first five, with two to go, so we are very confident we will have the product delivered. However, it is not operating at this stage. We have had staff go through various test sessions in various phases of the project, but it is not in operation as yet.

**Madam CHAIR:** The feedback from those test sessions is making its way back into the design of the project, is it?

**Mr MOFFET:** Yes. I ask Stephen Moo to comment.

**Mr MOO:** Yes, we have set up a super user group. In order to ensure we have a fit-for-purpose product, we have agreed that, as each sprint has finished the development, we then take it through what we call quality assurance testing phase. That involves a super user group and the project manager walking through that release or sprint end to end for their own testing. With that process, we will make some refinements. The we say, yes, we are happy that, essentially, it is 98% delivered, and the other 2% you can pick up at the end. Essentially, we are satisfied, and move on to the next.

In doing it that way, we have been able to ensure they are building it to the specifications. They are quite detailed specifications. We spent a lot of time in reworking the project to get very detailed function specifications that have then looked and interpreted by the vendor in building the product.

**Madam CHAIR:** What prompted this renegotiation of the contract? Obviously it did not go live in January like everyone anticipated. Something happened and we are at the point we are today, so are you able to expand on that a bit?

**Mr MOO:** I can answer that one. When we moved away from the original proposal which was to use a subcontractor in Tasmania to build the product we entered into, under the contract, an option for Fujitsu to build it. They came to us with an original proposal which indicated they felt that could build and deliver it by the end of January. We got some feedback towards the end of December that they, of their own accord, said they had underestimated the amount of effort required to build it. I guess they sought to renegotiate the time frame for delivery not the price. They said they would wear the financial risk. However, they understood, with a more thorough assessment, the amount of effort to build it was much more substantial than what they had estimated. That brought about the revision of the time frames.

**Madam CHAIR:** Also, can you explain how you were able to - the cost is something you guys are proud of because, hopefully, you will get a product that is worth a lot more than what you paid for. Your governance structure must be quite good or, your contract management, in order to ensure you were not just paying invoices as they came in.

**Mr MOFFET:** Yes, there have been issues, as we observed at the last hearing, around project management in the early phase. We have substantially changed the project management methodology, but it is fair to say Fujitsu also underestimated, even with their experience, the amount of work required to undertake a different methodology and fulfil a full

scope. We, essentially, moved fully away from the previous product and did a purpose built customised product.

In controlling the costs, I guess it left the department in a very difficult position because we had made commitment to our NGO sector and we were relying on delivering that. We had made commitments to the Public Accounts Committee as well based on advice at that time, so I engaged in several discussions with the CEO of Fujitsu Australia, Mike Foster. Steven and Jane also engaged pretty extensively with their senior team. We made it very clear that the imagine, reputation and reliance issues for us were extremely important.

It is fair to say Fujitsu understood that and were prepared to back themselves in terms of the quality of the product and the fact they will have intellectual property options, not only for Department of Health but around Australia, to this product if they get it right. There was some shared risk, but our key issue was that we were not prepared to take any more financial risk and they ultimately agreed with that.

**Madam CHAIR:** That is good.

**Mr WOOD:** To get it clear in my head, what was the original reason for the project? You used to give out grants before to NGOs and you wanted to what with the system? Did you want to make it more efficient or more traceable?

**Mr MOFFET:** Yes, the GMS itself is part of a broader grants management framework. We have around \$150m per annum that we administer and manage through the NGO sector. The Auditor-General, I think commencing around 2004 and again in 2010, made recommendations about strengthening the grants management framework in particular. We have done a lot of work inside the department since that time and, more particularly in the last few years, around strengthening the framework itself - the way in which we engage with the sector, the policies in operation, and the sort of documentation that needs to sit beside our contract management.

The grants management system arose as a key software and electronic tool to support all of that. For example, things such as contract documentation, repositories, archives of the various contracts we had over the time, reporting, templates, and application processes will all be streamlined through this new. It is end-to-end electronic; it no longer requires different parts of the department to use different systems to administer contracts. It will be one single system that is a very solid and reliable software system.

**Mr WOOD:** Is grants really another word for contracts? Not grants in a sense where you give some money to some NGO to do a project or something? Or is it just ...

**Mr MOFFET:** There is an interesting differentiation between contracts and grants. Essentially, our grants management framework is intended to cover all of our commercial activities. We have some far more commercialised and specified contracts at play for some of our larger arrangements. However, broadly, our grants management system still has a commercial and contractual basis sitting behind it. We are still funding for outputs and needing to manage those. Essentially, the grants management framework will be part of a broader contracting framework for the department.

**Mr WOOD:** Are the people who receive those grants part of your training program as well? Do they fit in with the new system you have now?

**Mr MOFFET:** The implementation of the system certainly will provide for proper user training. Familiarisation has also been a governance approach which has involved the NGO sector to this point. I cannot remember the name of the specific committee but, as we have gone through the developmental stages of this project, we have engaged with the NGO sector.

**Mr MOO:** Yes. Because it will be online, we will be training people because they will be applying online. That will be under three different grant schemes we administer from small grants to more service-oriented ones, to your bigger contractual-type ones with St John and CareFlight, and those big, commercial-type grant arrangements. Particularly, the grants programs, because we run the yearly programs, will be advertised, people will apply online, so they will be educated on how to do it. We will be running sessions with the NGO sector to advise them, basically, what the process will be.

**Ms MANISON:** Today, particularly earlier with the AMS system, we have heard lots about the testing processes, the training processes and, ultimately, whether or not there were enough resources in people within the agencies to be able to do proper testing, proper training, and be there to help during the roll-out and implementation, particularly when that is going to be quite a testing time, given it is a new system altogether. Are you confident you have enough people on the ground there are the moment working with the project, and being able to do the training and the testing?

**Mr MOO:** I can talk to this. We have set up a number of teams. One is around testing teams, bringing in some of our super – what we call the super - users of the administrative grants program. They are involved in the quality assurance testing we are doing with each of the sprint sessions. However, in mid-January, we will start the final user acceptance testing, and that group will come in and will include a broader group as well to do the final user acceptance testing to say the product is ready for implementation.

Separate to that, we have implementation plans being developed as we speak which identify the training and the actual roll-out strategy. The plan is to do it incrementally, and to pick some first grant areas first, make sure it is working, then progressively roll it out. It is not a big-bang approach because this is a major redesign with the way we do grants; it is a massive workplace redesign process. The intention is to work with a few key areas first, get them on to the system, make sure they are happy with it, then progressively extend it out. In that way, we feel we can use lots of lessons. We are looking to develop some online training resources. Some of this will involve having online tutorials and we will also have educators who will do training.

**Ms MANISON:** Within the Department of Health?

**Mr MOO:** Yes.

**Ms MANISON:** How many FTE positions do you have dedicated to this project?

**Mr MOO:** We have a small grants administration central unit. There are three FTEs in that unit. But, we are also going to be adding some additional training support resources to that unit. That is in the process now. We are just formulating that as we start to formalise our implementation plans ...

**Mr MOFFETT:** To the project specifically.

**Mr MOO:** Yes, to the project specifically.

There are three grants administration central. Their job is to oversee the grants program now. That is their main business, but they will take on some additional system owner, system responsibility as well, because we will have a big corporate system, whereas in the past we have just had a few small databases. This will then put it into a full system owner model.

**Mr MOFFETT:** That is the dedicated resources, but it obviously requires extensive effort across a number of program areas whether it is disability, acute services or the health services area. We are drawing on a lot of user time in service development areas as well. They are not dedicated resources but they are intended for grants management and services management. There is a dedicated technical and project team if you like, and then a much wider group of users and managers of contracts that are exposed to this at various times.

**Mr MOO:** We will be using a train the trainer model. Within the different grants units we will train up some super users to be - so they can train other users and become experts



because we feel this will become their everyday tools of trade and the expertise really has to be developed within each of the grant units.

**Madam CHAIR:** Thank you. It sounds like things are under control and heading towards a positive outcome at the end. That is heartening to know. Certainly, we should also explore the things that went wrong because from things that go wrong we learn our greatest lessons and that is really important. We want to know as much as we can so we can form recommendations to government to say how we should manage ICT projects in the future.

If we can cast our mind back a bit, the procurement plan for the grants management system recommends a select tender for Fujitsu to implement the ICS grant tracker system as the former department, NRETAS, had recently contracted to implement that system and there would be advantages and cost savings with a number of agencies having the same system. At least that was the theory at the time.

From a Health perspective, what analysis was done of the grants tracker system suitability for Health's needs other than the market analysis prior to going to the select tender for that system?

**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.

**Madam CHAIR:** What delay did that cause to the project?

**Mr MOFFET:** It would have been almost 18 months to 2 years once the decision was taken not to go with the original product.

In regard to the nature of this section about what lessons would we of learnt, it seems fairly clear, looking at the documentation and over time, that we did have a good engagement with Fujitsu and ICS but there was a different understanding about the level of customisation that would be required, with an assessment on our side that level of customisation was being committed to and was understood, with a clear development from ICS that, ultimately, they were not prepared to go that far. In fact, given the specification and the functionality we were seeking, a clean build and design was the most appropriate approach. I think Fujitsu agreed with that as well.

**Madam CHAIR:** So that was not determined during the scoping? Was that because the idea was to take the NRETAS project and roll it out in Health?

**Mr MOO:** Essentially, we were going to take their build, customise it to our requirements ...

**Madam CHAIR:** Which was thought a little, it was not ...

**Mr MOO:** ... which we understood was about six months worth of development work to do the customisation. Then, we would implement that system with our customisation. That was the process we understood would lead to a successful outcome. When we got into that detailed planning design and the initial identifying the customisation requirements we began to discover the vendor, or the people who owned the software, were not prepared to do the level of customisation. Maybe there was an issue that their product would not do it, but they were not prepared to acknowledge that. As soon as we started to get right down into the detail and to say, 'Right, we need it to do this, this and this', they just could not provide that certainty.

**Madam CHAIR:** How did the conversation come up? It may not have been a conversation. NRETAS was here, they have a contract there, they are building some IT capacity for themselves. Health must be thinking simultaneously and not connected, 'We really needs a grants-type tracking system'. Was work done by Health, in original scoping and things like, that to be able to get to the point where you say, 'Yes, okay, let us try to use that product and do minor customisation'? Health must have had some idea of scope at that very infant time.

**Mr MOO:** Absolutely. We always knew our requirements were more extensive than NRETAS. When we scoped out originally, we understood and Fujitsu believed, they could do the level of customisation required. That why it was not a case, I guess, of just taking it off the shelf with a few minor changes, it was quite substantial customisation to make it fit for purpose. Our requirements, if you look at the new system that is going to be delivered, is way more extensive than NRETAS was proposing in their system.

We are talking about a full end-to-end e-commerce system, whereas the NRETAS only covered parts of that process. We did believe that, through Fujitsu and with our project teams, they could do the level of customisation to make it at least suitable for us. However, we recognise now that probably the product we are going to receive now will way exceed that initial ...

**Madam CHAIR:** It was always going to be an end-to-end product, even right back at that early stage?

**Mr MOFFET:** Yes.

**Madam CHAIR:** Prior to entering into the contract with Fujitsu, you had all those discussions. That must have found its way into a contract somewhere?

**Mr MOO:** Absolutely.

**Madam CHAIR:** Is that why they are now honouring it, because they realise they cannot deliver what is actually enshrined in the contract - all those things?

**Mr MOO:** Yes. In financials, we said we were not prepared to wear anymore costs; that they had to honour their original agreement. That is, basically, the line we ran. Even though it was a complete build from scratch, our expectation is they would still work within their original bounds.

**Mr MOFFET:** Our arrangements were always with Fujitsu. They were responsible for the subcontracting arrangements. The other factor, I presume for Fujitsu, was in considering that pause where it became pretty apparent much more work was required to be done to customise the product. There was also an assessment, from a technical capability perspective, ICS were unlikely to deliver that. I daresay for commercial reasons, Fujitsu has decided to run with its own product as well.

**Madam CHAIR:** Who realised that much more work needed to be done? Would it have been Fujitsu because they have the technical expertise? You guys would have said, 'This is what we want ...

**Mr MOO:** Both. It was a mutual decision. We brought on a new project director around this time, and we said, 'Go down there with the Fujitsu project managers from here, spend

the time and just see', because we had a sense they were not going to deliver. They spent a good few weeks down with the vendor. We both came back. Separately, our project director advised us he thought it was not going to fly but, collectively, Fujitsu then made the decision themselves. They came back to us and said, 'We do not believe we are going to be able to deliver with this subcontractor'.

**Mr WOOD:** What do you think the final cost will be in February?

**Mr MOFFET:** I have those.

**Mr WOOD:** Of course, I might be reminded what it was starting off at?

**Mr MOFFET:** Originally, it started at \$684 000 for – what, the design stage?

**Mr MOO:** No, the build

**Mr MOFFET:** The build, sorry. Plus \$300 000 for design. It will cost us \$1.036m.

**Mr MOO:** \$1.036m will be the total cost. We have approved a few change requests, so there has been around \$76 000 - through the spent review sessions we identified a few requirements that were not taken into account so that took it up to \$1.036m. That is our current contracted price.

**Madam CHAIR:** That is the contracted cost. It is not the cost incurred by the department?

**Mr MOO:** No, it was always separate. That is the contract with Fujitsu.

**Madam CHAIR:** Is your resourcing adequate to manage this project and make sure it is implemented and all happening properly? A big failing of the AMS system people tell us it was not adequately resourced and, therefore, a lot of problems occurred. Whilst \$1.036m will be paid out to an external contractor, Health itself will have to allocate its own resources to do various things. Is Health in a position to do that?

**Mr MOO:** One other lesson we learnt was this project originally was not managed under our ICT projects group; it was done as part of a small project of the policy area. When the issues started to emerge it brought under formal ICT project management under my ICT

projects group. We have put in place fairly rigorous project management and we also revised the governance for the project. We put in place a high level executive steering committee to oversee the project as well. We have had a dedicated project director - ICT project to come on the project - we have also allocated people from the grants unit. We believe we have the resources in place to deliver the project and do the testing phase, and we are now just formulating the implementation. We have no reason to believe the project will not be delivered with the team we have allocated to the project. As I said, we are scheduled to start user acceptance testing in mid-January – final user acceptance testing. There is another review next week so we are getting into the last stages of what we call the quality assurance testing.

**Mr MOFFET:** It is fair to say we have tried to adopt a very lean project approach. It would be nice to direct more resources towards it, but I think in the first six to 12 months that was one of the issues for us - not having the right expertise available as well. Moving into a stronger technical and project management space has been very helpful, but we will need to continue to monitor and adapt resourcing as we do user training and implement, in a progressive, way across the NGO sector. We will still need to be sensitive to the resourcing, but in the current environment we have had to be fairly lean with it. We have the balance right at the moment.

**Mr WOOD:** Does it inter-relate with your financial department? When it comes to the end of year and you have to do your annual report, you can all report together?

**Mr MOFFET:** Absolutely. There is a full interface with GAS, the government accounting system, so all payments are processed through this system go through into the grants system. It is two-way so we will have a full reconciliation of all payments, and we will have smarts in it so if you want to apply indexation factors and stuff like that, it will be able to calculate and apply those. It has been designed as a fully auditable and financial management system.

**Mr WOOD:** We are dealing with AMS, which is the asset management. Are you involved in that as well?

**Mr MOFFET:** Peripherally we have had involvement because of our asset base. I have not had direct involvement in it, but our corporate area has been involved from time to time, and through Treasury as well.

**Mr WOOD:** You have this little system, but you have the AMS. Is that causing you any problems?

**Mr MOFFET:** In terms of year end processes, we have worked with Infrastructure previously, also Treasury, in relation to numbers around depreciation etcetera and asset take up values, but to my understanding that has worked effectively to this date. Obviously, a fully functional AMS would be helpful.

**Mr WOOD:** Are there any payments you have to make through that system, or any records you have to trace through - like maintenance of health centres out bush? That all comes under the AMS, I presume.

**Mr MOFFET:** Yes, a fully-functioning AMS system would, obviously, do those maintenance schedules. But, to my knowledge, that is not currently the case. We currently rely on existing systems within the department.

**Mr WOOD:** You are not go live with that system? You are retaining your present system? You are not going to move until you know it works? Would that be the bottom line?

**Mr MOFFET:** Yes, our CFO is not here, but from a financial perspective, we rely on it, to some extent obviously. But, from an asset maintenance schedule perspective, we run current internal systems to support that.

**Mr WOOD:** I suppose the question was: will you have to go over to the AMS system eventually, or can you have the prerogative of saying 'We do not think it works, we would like to stay in the existing system'?

**Mr MOFFET:** My understanding – I do not know whether Stephen knows - is that is the intention.

**Mr MOO:** We will be migrating across when we feel it is fit for purpose and has the level of functionality required to support all asset management programs we have. At the moment, in the corporate services area, there is a feeling we will be involved in the user groups and the testing processes, but we have not made a commitment to implementing it fully because the full functionality is not there. We are still having to use some of our existing systems.

**Mr WOOD:** To be fair, Housing had gone in and come out finding that seven modules do not work. They are in. So, you have not gone in like they have?

**Mr MOO:** Absolutely not. From our point of view, we did not feel - a big infrastructure department would probably be more appropriate to test it. Even though we have significant assets, we felt we would be later on in the process.

**Mr WOOD:** Sounds like a smart decision maybe.

**Madam CHAIR:** I think Jeffrey mentioned the first six to 12 months. In hindsight, you realised the department lacked the expertise of the people who were working closest with this project. I preface my question with that, only because it was known at the time of the tender presentation to the evaluation panel that this system for NRETAS was not working well anyway, and they failed to meet NRETAS' time lines, and the Tasmanian Department of Health had terminated its contract for the grant tracks assistance. Some of those things were known to Health, but Health persevered. Could you explain why that was the case - the decision was still made to go ahead?

**Mr MOFFET:** My understanding was there was a range of considerations. I was not aware of the Tasmanian reference. But, there was no perfect product, but in off-the-shelf products and appropriate fitness for purpose for core functionality, and allowing for our customisation of product, it was going to be appropriate. That is what was recommended at the time.

**Mr MOO:** I do not know about the Tasmanian reference, but the view from NRETAS was they believed they would still get a system suitable, and they have (inaudible) continued to use the system. They are not intending to stop using the system. It is my understanding they are still using the system as their current grants management system. My news is they have received an upgraded version and, for their purposes, I understand they are not intending to move off it at this stage.

**Mr MOFFET:** Our experience is, in off-the-shelf products, there is a very limited market in Australia. Even when we have had to pause the project to make a key decision about how to continue, we again looked at the range of options, and going with a customised model was, ultimately, seen to be the only approach.

**Madam CHAIR:** It seems like it is yielding a better result. Going back, in hindsight, now we have this being dealt with by your ICT division, which seems like the logical fit, why was that not the case from the start?

**Mr MOFFET:** My observation is that this started in very much a policy framework environment. We started building the broader contract management framework and saw this as a supporting element of that project, which it was. There is always a balance between

running ICT projects, in particular, in isolation from the core users, and the key program areas. Equally, there is a risk in trying to run with complex ICT projects in a core program area. We fell too far to the right on that one in that we started in a policy and program environment at a point in time where we should have had more technical expertise available to support those people. Again, that is probably because we relied essentially on an existing market product and a company that gave us confidence it could be customised. In retrospect, we should have adopted our usual ICT methodology. This is, ostensibly, a small software project for us so a high level of attention could have been paid to that at the time by me. The reality is we relied on the fact we had a product we had confidence in, and were dealing with a major provider we agreed could customise this product in an appropriate way. We really thought the technical expertise was largely being outsourced at that stage. In a program and policy environment in reality, it has been far more appropriate to continue the project with an ICT governance approach but still with a program and policy overlay, because there is as much danger in us doing an isolated ICT project approach as well.

**Madam CHAIR:** Absolutely. You are not the only one to learn that lesson. We have seen the AMS now go to DCIS, and there has been acknowledgement it is complex and there is a need for ICT specialists around these types of systems.

The Auditor-General prepared a performance management system audit and drew attention to general lack of documentation and poor document standards. As a committee, we can find little documentation existing prior to April 2012, just meeting minutes and responses to the request for tender and things like that. Do you have any comments about the structures in place prior to April 2012 and why there might have been this lack of documentation, and perhaps even lack of governance structure?

**Mr MOFFET:** As far as I know we have provided all our documentation to you. I believe Jan coordinated that. I am unaware there were meeting minutes issues, or RFT issues for the original tender. They should be available.

**Mr WOOD:** Would you consider using DCIS next time? They are looking at bringing out a policy which says certain major IT projects should be done through them. Would that be suitable for you?

**Mr MOO:** There are projects DCIS is very good at. If we are talking about some of the big ICT infrastructure projects and whole-of-government type - what I would call middle ware type smart - it is appropriate, but when we get into the business systems area I do not believe if you develop your grants management system - DCIS does not manage grants, and having them try to design a system or oversee a system developed for a business - my experience, and I have been doing ICT for 20 years now - DCIS is very good at managing the contracts it manages and working with the different departments in doing those big whole-of-government contracts, but if you are talking about a business system for a specific



purpose such as grants administration, it very much needs to be managed in the business units. That would be my response.

**Mr WOOD:** Okay, thanks.

**Mr MOFFET:** I might add a bit, I suspect there might be some value, from time to time, if, for example, the department was running with a project like this to ensure there was cross-sectoral awareness and involvement. We ensure there is awareness, but there may well be possibilities to do things once and do them well, which might include DCIS obviously, but also other agencies in our instance that use GMS. I imagine there are some benefits from time to time in having a whole of public sector approach.

**Madam CHAIR:** I can confirm some of those documents. Some were missing from the original bundle sent through and we sent a follow-up and we have not received some of them yet. Perhaps that is something that we can retouch base with.

**Madam CHAIR:** Going back, we know many of the issues have been nussed out. The communication and relationships between the department, Fujitsu, and ICS, clearly had difficulties. The relationships were strained at times. Were there key contributing factors to the strain on those relationships and, if so, how did Health manage its way through those?

**Mr MOFFET:** I can talk at the highest level. I have only had involvement with Mike Foster. Our engagements have been very respectful. There is, obviously, tension around deliveries and problems the project had encountered, and frustrations, probably on both sides. However, the engagement I have had at that level, and our correspondence, has been, I believe, very appropriate.

In engagements further down, I will hand to Stephen and/or Jan to comment, if that is okay.

**Mr MOO:** My understanding is we have always had a good relationship with Fujitsu. Even going back then, they key project managers and the people we worked with here on the project had a very good relationships. There was mutual agreement on most things.

I believe the issue came more with working with the vendor. 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.

**Madam CHAIR:** Did you always have quite a high level of senior management focusing on this project from 2011, and has that changed at all over the course of the project?

**Mr MOFFET:** Yes, since 2011, when we changed the governance approach and Jan took on the executive sponsorship and Stephen took on the project management/technical role. I also engaged quite regularly with Mike Foster. I believe we have had good senior ownership since that time, yes.

**Madam CHAIR:** That has been driving the project forward?

**Ms CURRIE:** May I say something?

**Madam CHAIR:** Absolutely.

**Ms CURRIE:** Yes, we have had a professional relationship with Fujitsu, but we have been very tough, at times, with them at times saying, 'Your credibility is shot, essentially. We are losing confidence you are going to deliver.' We have had some quite seriously intense meetings, Stephen, I believe. We have a fortnightly meeting with the head office here of Fujitsu. So, yes, we have been professional, but we have held them to account and been very strong with them when needed about ensuring they deliver.

**Mr MOO:** They also realised, sometimes in the project, they did not have the level of expertise in the project, and the level of resources needed. It was through those fortnightly meetings and monitoring the progress within the sprints, we were able to say, 'You appear to have a problem here'. To their credit, they did inject additional resources into the project at various times, and they brought on some very senior, very good people on to the project. For the last three or four months, they have had a really good team and the right expertise.

As we went along, because of that project governance, we were able to pull out when things seemed to be slipping. We were able to work with them and, because Jeff was communicating with their CO, we had that commitment between the two of them that they would pull out all endeavours to deliver the project.

**Madam CHAIR:** That is really good and highlights the importance of having that very senior level engagement in projects. I am not criticising lower level of public servants, but when you are dealing with corporates – their core business is the balance, it is about the books, and they are very good at doing that. Sometimes in government we can be too far removed from the end game and it is all just money and government moving around when we really need to be a business as well. When contractors are not pulling their weight we need to be holding them accountable for that, just as we would if it was in our own home or our own business. I commend you for keeping Fujitsu to their word on that and it looks like you will extract a good commercial result.

In resourcing, was a needs analysis undertaken to determine the human resources required to successfully complete this project? If so, at what stage of the project was this developed and to what extent was it implemented? I think you have that team of three.

**Mr MOO:** Essentially, during the development phase we saw - what we predicted is we came up with a program of what the whole development cycle would look like, what the various review phases were, and we put together the resources we needed to do the reviews - the testing, and under the supervision of a very good project director. He has been on top of his game and whenever he is needed to bring in extra resources he has been able to do that. He would come to the executive steering committee and say, 'Give me some input'.

It has been through good governance and good project management. We have not seen any issue about resourcing on our side which has brought any delays in the project. We have been able to do whenever the spent review sessions have been ready; we have had people available and have undertaken the full quality assurance testing.

I do not believe there has been - we really wanted this project to work for us as well because we have been waiting for a long time. We needed to ensure we had the right people available.

**Madam CHAIR:** It is also interesting that for a relatively small financial project, in comparison to what we have been dealing with today, your department has given it a very high level of priority. Yet, with some of the much bigger projects they were seen as just one in a number of things you have to manage. It is quite a contrast when you consider the differences in the amounts being spent, but that is just a comment. Unless my colleagues have any other questions?

**Mr WOOD:** I think we have covered it all.

**Madam CHAIR:** Thank you very much, Department of Health. We really appreciate all the time you have taken to prepare for today, putting in your submissions and, of course, appearing before us. We appreciate your answers and thank you for your contribution to our inquiry.

That concludes our public hearings for today.

I would like to thank the members for Nightcliff, Wanguri and Nelson, and also the committee staff for being so wonderful in putting all this together and, of course, everyone who appeared before us today.

The Auditor-General has snuck up at the back. Thank you for all your help.