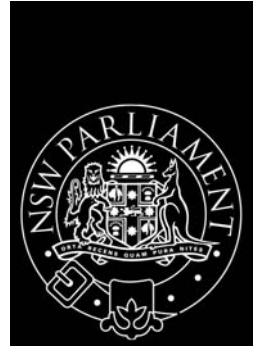


LEGISLATIVE ASSEMBLY



Public Accounts Committee
INQUIRY INTO INFRINGEMENT PROCESSING BUREAU

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Charter of the Committee

The Public Accounts Committee has responsibilities under Part 4 of the *Public Finance and Audit Act 1983* to inquire into and report on activities of Government that are reported in the Total State Sector Accounts and the accounts of the State's authorities.

The Committee, which was first established in 1902, scrutinises the actions of the Executive Branch of Government on behalf of the Legislative Assembly.

The Committee recommends improvements to the efficiency and effectiveness of government activities. A key part of Committee activity is following up aspects of the Auditor-General's reports to Parliament. The Committee may also receive referrals from Ministers to undertake inquiries. Evidence is gathered primarily through public hearings and submissions. As the Committee is an extension of the Legislative Assembly, its proceedings and reports are subject to Parliamentary privilege.

Terms of Reference

On 28 August 2003, the Hon Michael Egan MLC, Treasurer, requested under the terms of Section 57(1) of the *Public Finance and Audit Act 1983*, that the Committee inquire into:

- the relocation of the IPB to Maitland; and
- implementation of the computer system in Maitland,

in order to better understand how problems emerged within the IPB, so that knowledge can be applied to improve the management of any future agency relocations and the introduction of large computer systems.

Chairman's Foreword

I am pleased to present this report on the inquiry into aspects of the operations of the Infringement Processing Bureau (IPB).

This inquiry was prompted by a request from the Hon Michael Egan MLC, Treasurer, received by the Committee in August 2003. A due diligence review commissioned by the Treasurer in July 2003 found that large numbers of fines had not been processed as quickly as they should have been, resulting in lost revenue from fines in 2002-03 of approximately \$32 million. The revenue was lost when a fine was not processed by the IPB within 6 months of the date of the infringement which was then the deadline under the legislation. If this occurred, the matter became what is known as 'statute barred'.

As a result of the findings from the due diligence review, the Treasurer requested that the Committee inquire into the IPB and report back with findings and recommendations.

The inquiry has focussed on management by NSW Police of the relocation of the IPB to Maitland, and the simultaneous introduction of a new computer system, called the Infringement Management Processing System (IMPS). The Auditor-General's Report released in November 2003 states that NSW Police believes these factors resulted in the lost revenue.

The Committee received submissions from most relevant agencies including the Office of State Revenue, the Roads and Traffic Authority, NSW Treasury, the NSW Ombudsman and the Office of Information and Communications Technology.

The Committee was concerned that the most relevant agency, NSW Police, did not make a submission to the inquiry, despite IPB being under its control during the relocation to Maitland. Furthermore, it prevented the contractor responsible for designing IMPS, Accenture, from making a submission to the inquiry. In response to a request from the Committee, NSW Police did supply copies of various documents relevant to the inquiry, although not the original business case. As NSW Police could not locate the original business case, the Committee used an "Abbreviated Business Case" to complete the inquiry.

The inquiry was also made difficult because many key personnel relevant to the relocation and IMPS implementation projects were either no longer with NSW Police, or did not wish to make a submission to the inquiry.

The Committee is of the view that the problems within IPB resulted predominantly from poor management practices of NSW Police, rather than major deficiencies in current central agency or policy requirements applicable to NSW Government agencies. As a result, this report does not recommend extensive changes to the current requirements.

The following key lessons can be learned from the IPB experience:

- Business cases and plans should be regarded as flexible "live" documents with clear accountabilities. Whenever an underlying assumption changes due to external factors (such as with the volume of infringements), the business case and plans need to be updated or they become unrealistic and hence irrelevant. NSW Police seemed to have

the view that it had to relocate to Maitland with a maximum of 150 staff, as predicted in the original business case, regardless of subsequent changes to circumstances.

- Senior Management should only make changes that will impact on business cases or plans after they have fully investigated the consequences from a cost benefit point of view, over the life of the projects. This is especially the case when changes are made to “save money” in the short term, such as the decision by NSW Police not to implement the hand held devices module within IMPS.
- If after commencing to implement a project, Senior Management assesses the approved funding as insufficient to implement the full business case, they should not automatically assume that additional funding is unavailable. If this occurs, Senior Management should prepare an updated business case together with a financial and economic appraisal, and seek further funding through NSW Treasury. Instead of doing this, NSW Police attempted to make up for the budget shortfall by neglecting to implement key aspects of the business case. The assumption was that no further funding was available, even though NSW Treasury were not approached for additional funding.
- Senior Management should manage organisational change so that agency service delivery is not impacted. In other words, there needs to be effective business continuity planning, change management planning, and risk management performed prior to and throughout any major organisational change. This did not occur effectively with the relocation or IMPS implementation projects.
- Adequate reporting mechanisms must be established so that Senior Management can effectively monitor and control the operations they are responsible for. In addition, prior to refusing requests for additional resources, Senior Management needs to consider the consequence of such decisions from a cost benefit point of view. The management reporting to NSW Police appears to have been deficient, and requests for additional resources to address the problems were refused without the implications being fully considered.
- For large projects, and where cost effective, agencies should include Quality Management processes to ensure that project deliverables are of an appropriate quality, and Benefits Realisation processes to ensure that the benefits forecast in business cases are realised. These processes were not operating effectively within the IPB relocation and IMPS implementation project.

The Committee attributes the problems within the IPB largely to Senior Management within NSW Police not following each of the above principles. Control was not adequately restored until IPB transferred to the Office of State Revenue on 1 October 2003.

The result was that up to \$41 million in revenue for clients of IPB was lost in the period 1 September 2002 to 31 January 2004. The cost to NSW Government entities (eg the Roads and Traffic Authority and NSW Police) was \$29 million. A further \$9.6 million was paid or is payable to non NSW Government clients of IPB, such as local councils. The project itself also ran over budget by about \$8 million.

There has also been a significant human cost in terms of the morale and well being of current and former employees of IPB and NSW Police, resulting from the mismanagement.

I would like to thank all the individuals and organisations that contributed to the inquiry and David Daniels, Adviser to the Committee, whose technical expertise greatly assisted the Committee in researching and drafting this report.

The Committee is particularly grateful to OSR and the staff of IPB for the information they provided and for allowing the Committee to visit the IPB office, and commends them for their efforts to address the problems.

A handwritten signature in black ink, appearing to read 'Matt Brown', with a long horizontal flourish extending to the right.

Matt Brown MP
Chairman

Glossary of Terms

Backlog	The number of outstanding 'work items' awaiting processing by IPB at a point in time.
Benefits realisation management	The practice of identifying potential benefits, planning and modelling those benefits, measuring them, assigning responsibility for their review, and tracking their realisation.
Business case	A form of advice to executive decision-makers. It is a substantiated argument for a project, policy or program proposal requiring a resource investment. It includes a summary of the options and the rationale for choosing the solution proposed, an implementation plan, the expected costs, risks, benefits and outcomes.
DIPS	Digital Image Processing System
DPWS	The Department of Public Works and Services. During 2002-2003 its functions were transferred into a new entity, the Department of Commerce.
GAMC	Government Asset Management Committee
ICT	Information and Communications Technology
Implementation plan	A document prepared as part of the business case, that details the project management framework, internal change management plan, issues management, quality management, the procurement strategy, benefits realisation, post-project management, and post evaluation and post implementation review.
IMPS	Infringement Management Processing System. The new "computer system" that replaced the Traffic Penalties System.
IPB	The Infringement Processing Bureau
OICT	The Office of Information and Communications Technology
OSR	The Office of State Revenue
Quality management	The overall aim of quality management is to cost effectively ensure that project deliverables, such as project planning, specifications and risk assessment, are of an appropriate quality. This occurs through the testing of the quality of deliverables against an identified benchmark, resulting in corrective action and feedback. For major projects, quality management is generally performed by an assigned quality manager.
SEINS	Self Enforcing Infringement Notice Scheme
Statute barred	An infringement becomes statute barred when it has not been processed at the expiry date of its statute of limitations.
Statute of limitations	A period of time established by statute, within which fines must be processed. If not processed within this period, the NSW Government loses the right to legally enforce recovery of the fine.
TPS	Traffic Penalties System. Former system for processing of infringements, which was replaced by IMPS.
Work items	Actions taken by IPB staff are carried out as 'work items' through the IMPS workflow system. The outstanding IPB workload at any point in time is made up of 'work items', recorded on IMPS.

Findings and Recommendations

DIRECT COSTS OF THE IPB PROJECT

- The cost of the fit-out of the new Maitland accommodation was predicted in the original business case to be \$1.06 million. The actual cost in 2002-2003 was \$1.875 million. In addition, OSR spent \$92,000 on interim changes to the Maitland building to accommodate a second shift, and \$325,000 on a final refurbishment project during 2003-2004. The cost of the fit-out is therefore about \$1.2 million more than was assumed in the original business case.
- The cost of the IMPS project was estimated at \$11 million in 1999-2000, assuming that \$1.8 million was to be spent on hand-held devices. The actual cost was \$11.612 million to the end of 2002-2003, without any hand-held devices being purchased. In addition, in 2003-2004 OSR spent a further \$2.4 million on IMPS, mainly on enhancements, e-payment improvements, and infrastructure and capacity planning. The 2004-2005 budget forecasts another \$1.5 million to be spent on IMPS. To the end of 2004-2005, the expenditure on IMPS is therefore likely to be about \$6.3 million more than that predicted in the original business case.
- Upon assuming control of IPB, OSR was given a “Transition Program” budget of \$302,000. To the end of April 2004, \$425,000 has been expended on transition projects. The expenditure over budget has been absorbed by IPB.
- In total, NSW Police and OSR have spent about \$18.2 million on the relocation and IMPS implementation project, against a budget of \$10.3 million. The budget is \$1.06 million for the fit-out, plus \$11 million for IMPS, less \$1.8 million allocated to purchase hand-held devices.

FINES THAT BECAME STATUTE BARRED

- During 2002-2003, approximately \$32 million in fines became statute barred. For the period 1 September 2002 to 31 January 2004, approximately \$41 million in revenue became statute barred. Because it is statute barred, the collection of this revenue cannot be legally enforced.
- Of the \$41 million, \$29 million related to NSW Government entities such as the RTA and NSW Police. The remaining \$12 million related to non NSW Government entities such as local councils.
- The NSW Government paid \$9.6 million to non NSW Government entities in compensation for the \$12 million becoming statute barred.

THE BUSINESS CASE

- NSW Police did not supply the Committee with a copy of the full original business case for the relocation and IMPS implementation projects. It did, however, supply the Committee with various other documents including an “Abbreviated Business Case”. When comparing the operations of IPB against the business case during the inquiry, the

Committee was therefore forced to rely on the “Abbreviated Business Case”, together with information provided in submissions and hearings.

- A comparison of the Abbreviated Business Case to the “Business Case Guidelines”, issued by NSW Premier’s Department in 2000, showed that the business case did not contain many of the elements contained in the Guidelines. There is evidence, however, that most of the other elements were addressed in documents separate to the business case. The exceptions were in the areas of Quality Management, Benefits Realisation and Project Evaluation and Post Implementation Review.
- The business case for the IPB relocation and IMPS implementation project, and the resulting conclusion that 150 staff would be sufficient for IPB, was based on a predicted volume of 1.7 million infringements per annum. This reflected the per annum volume of infringements that IPB was processing when the business case was prepared, rather than estimated future volumes. During 2003-2004, the IPB received about 2.8 million infringements.
- The project that was actually implemented by NSW Police was significantly different to that assumed in the original business case. The decisions not to implement the hand-held devices module, and not install the assumed type of system architecture were especially significant. Many of the changes that were not implemented, were the basis of the forecast efficiency gains.
- Despite the business case no longer being accurate, neither the business case nor the projection that 150 staff would be sufficient for IPB, were updated for the changed conditions. OSR later estimated that, rather than the 150 positions that existed after the relocation, IPB should have had 239 positions.

RECOMMENDATION 1: Business cases, and the planning documents that are based on them, are only useful to the extent that they reflect reality. To ensure that they remain realistic, they should be regularly checked and updated. This is especially vital for projects that run over an extended period.

- NSW Police did not formally confer with IPB’s major clients, including the RTA and local councils, in order to confirm that the assumed volume of infringements remained realistic.

RECOMMENDATION 2: Where a business case is based on assumptions that are controlled by external parties, the agency responsible for the project should confirm with those external parties that the initial assumptions are valid, and that they remain valid until the project is implemented. This should be in writing and “signed off” by the relevant agency.

- In breach of the policy that existed at the time, the Office of Information and Communications Technology did not review the business case prior to capital funding for the project being approved. The evidence suggests that this may have been because of confusion over whether the single business case was an accommodation or an ICT related project.

RECOMMENDATION 3: Where a single business case is developed for a project that covers various areas of expertise (such as accommodation, and Information and Communications Technology) the business case should be broken down into components for the purpose of the approval process. The central agency that reviews ICT related business cases should review the ICT components, and the central agency that reviews accommodation related business cases should review the accommodation components. Overall approval authority should remain with NSW Treasury.

- The evidence suggests that the efficiency savings forecast in the business case were probably realistic at the time it was put together. However in an effort to save money, NSW Police did not implement the full business case. The decisions to deviate from the business case were made without NSW Police first considering the impact on the project or the ability of IPB to deliver services. As a result, many of the efficiency savings forecast in the business case were not realised, but the conclusion from the business case that 150 staff would be sufficient, remained unchanged.

RECOMMENDATION 4: Prior to implementing decisions to deviate from business cases, agencies must thoroughly analyse the impact of those decisions, not just in the short term, but also over the life of projects.

- The Commissioner for Police initially approved the project to implement the recommendations contained in the original business case. The Commissioner did not approve the decisions to depart from the business case.

RECOMMENDATION 5: There should be clear lines of responsibility and accountability for business cases. Variations to business cases should not be implemented unless first approved by the same level of management that approved the original business case.

- The Budget Committee of Cabinet approved capital funding for the IPB relocation and IMPS implementation during 1999-2000, on the basis of the business case that was submitted at the time. NSW Police did not seek the permission of NSW Treasury to use the approved capital funding on a project that was materially different from that detailed in the original business case.

RECOMMENDATION 6: Where significant capital funding is involved, the agency should not materially deviate from the original business case without first obtaining the approval of NSW Treasury, as delegated by the Budget Committee of Cabinet. Before approval is given to the agency to deviate from the business case, NSW Treasury should review an updated business case including a financial and economic appraisal.

- The new computer system, IMPS, was not performing to the standards specified in the original tender documents. The tender documents were based on the information in the original business case. This had a major impact on the ability of IPB to process the required volume of infringements.
- A significant reason why NSW Police deviated from the original business case, and so lost many of the forecast efficiency savings, was because there was insufficient focus on Quality Management and Business Realisation processes. An emphasis on these

processes would have ensured that NSW Police was aware of the impact on the predicted benefits of the decisions to depart from the business case.

RECOMMENDATION 7: For significant projects, and where cost effective, agencies should include:

- Quality Management processes to ensure that project deliverables are of an appropriate quality, and
- Benefits Realisation processes to ensure that the benefits forecast in business cases are realised.

For very large or sensitive projects, NSW Treasury should appoint a Quality Manager to report back on Quality and Benefits Realisation progress.

- While the efficiency gains forecast in the business case were probably realistic, the cost of implementing the business case was significantly greater than anticipated.

THE TRANSITION PLAN

- A key part of the transition (or change management) plan was that the old TPS system would continue to operate at Parramatta after the relocation. Staff at Parramatta would then process all of the infringements that existed to the date of the relocation on TPS, and the new IPB staff at Maitland would use the new IMPS to process infringements received after the date of the relocation. The IPB at Parramatta was expected to operate for a period of 6 months after the date of the relocation.
- The transition plan for the project was not implemented, despite the importance of appropriate transition planning being emphasised by various consultants.
- The Project Manager for the implementation of IMPS had no knowledge of why the transition plan was abandoned.
- As a result of not following the transition plan, the IPB at Maitland was required to process about 500,000 additional work items on the old TPS system.
- No additional resources were supplied to IPB to cope with the unexpected additional work volumes.
- Conflicting evidence has been received as to whether the abandonment of the transition plan was a conscious decision by NSW Police Senior Management made well before the relocation occurred, or whether it was forced on them at the last minute by circumstances.
- Senior Management within NSW Police suggested that an unidentified contractor mistakenly loaded infringement data onto IMPS and TPS, and the systems could not communicate with each other. As a result there was risk that infringements could be processed twice if not under the control of a single area. To mitigate this risk, Senior

Management said it they took the decision to transfer the backlog on TPS to Maitland. This evidence is in direct conflict to other evidence received by the Committee.

- Senior Management did not investigate how the duplication of infringement data occurred, or who was responsible.

RECOMMENDATION 8: NSW Police or OSR should investigate whether the duplication of infringement data resulted from a contractor acting outside the scope of their contract with NSW Police. If the contractor did act outside the scope of their contract, the NSW Government should consider seeking financial compensation for the losses subsequently incurred.

- The unauthorised duplication of infringement data represents a breach of the IPB's internal control systems. Senior Management did not investigate how the control failure occurred, or take steps to prevent future unauthorised tampering of infringement data.

RECOMMENDATION 9: Material breaches of internal control should be fully investigated, so that Senior Management can have reasonable assurance that the internal control structure within their agency is operating effectively.

AFTER THE RELOCATION

- In May and June 2003, 28.1% and 26.3% of fines respectively became statute barred.
- The backlog of infringements peaked at about 595,000 items during April 2003.
- Evidence was received that Senior Management within NSW Police was "surprised" at the extent of infringement data that became statute barred during 2002-2003 when they learned of their dollar value in August 2003.
- A key reason for the surprise was that in the period after the relocation, Senior Management within NSW Police was not receiving adequate management reports on the extent of the backlog or statute barred situation.

RECOMMENDATION 10: Senior Management needs to ensure that it has clear, concise and timely management reports that demonstrate the operational performance of its agencies. Senior Management must also ensure that it fully understands the content of these reports.

- Senior Management within NSW Police was formally and informally approached by IPB management for additional resources on several occasions. The evidence received was that the requests were denied.
- Conflicting evidence was received on why additional resources were not supplied. Senior Management stated at one stage that NSW Treasury informed it that no additional resources were available, and it should implement the arrangements "as best they could". Elsewhere Senior Management said the IPB management indicated that it did not want new staff.

- NSW Treasury gave evidence that it was not aware of changes to the scope of the IMPS project made by NSW Police. The evidence was that NSW Treasury was not approached for additional funding, either to enable the business case to be implemented in full, or to enable NSW Police to provide IPB with additional resources after the relocation and IMPS implementation.

RECOMMENDATION 11: Agencies should not operate under the presumption that additional resources are unavailable for projects. Where additional funding is required, the appropriate Minister should formally approach the Treasurer with a request for additional funding, supported by an updated business case and financial and economic appraisal prepared in accordance with NSW Treasury's Guidelines.

- After taking control of IPB in October 2003, OSR introduced a second shift, increased staff to a peak of 309 positions, modified the accommodation to cope with the additional staff, and introduced enhancements to IMPS to increase processing efficiency.
- The statutory period of limitation for most fines was changed from 6 to 12 months effective from 1 August 2003, through the assenting in April 2002 of the *Road Transport (General) (Operator Onus Offences) Act 2002*.
- As a result of the changes made by OSR the backlog of work items awaiting processing within IPB was reduced from over 400,000 items at 1 October 2003 to about 82,000 items as at 18 May 2004. OSR's changes, combined with the impact of the increase in the statutory period of limitation, also resulted in the percentage of fines that were statute barred decreasing from 5.13% in November 2003 to about 0.3% in March 2004.
- Senior Management within NSW Police suggested that its "brief" was to relocate to Maitland around September 2002 with 150 staff, and with a new infringement processing system. The "brief" for the project did not say that the project should be implemented without impacting the ability of IPB to deliver services.

RECOMMENDATION 12: The performance indicators for a successful project should include compliance with the requirements of central agencies and/or NSW Government Policy requirements, and the results of Quality Management and Benefits Realisation processes.

REVIEW OF CURRENT REQUIREMENTS

- The requirements and guidelines applicable to accommodation projects are controlled by various agencies including NSW Treasury, the Department of Commerce and the NSW Premier's Department. Agencies may not be aware of all of the steps they should follow, or of the guidance available for relocation projects.

RECOMMENDATION 13: NSW Treasury produce a single document that:

- Lists the steps agencies should follow when planning for and performing operational and office relocations, from the beginning to the end of the process,

- Lists the source of the requirements or guidance applicable to each step (e.g. the appropriate section of the Total Asset Manual, or Guideline within the NSW Premier's Department),
- Identifies the central agency available to assist agencies with each step, and
- Distinguishes between office and operational relocations.

- The guidance and policies applicable to relocations and ICT projects do not sufficiently emphasise how vital it is that agencies maintain business cases and the documents that flow from them, as current realistic documents.

RECOMMENDATION 14: Relevant central agencies should review the government policies and guidelines under their control to ensure that sufficient emphasis is given to agencies maintaining business cases and the documents that flow from them as current, realistic documents.

- Similarly, guidance and policies applicable to major projects do not emphasise that where capital funding has been provided for projects, agencies should obtain the approval of NSW Treasury before materially deviating from the business cases.

RECOMMENDATION 15: NSW Treasury amend the requirements and guidance applicable to capital funded projects, to emphasise that agencies should not materially deviate from approved business cases without first obtaining the approval of NSW Treasury. The requirements and guidance should also discuss the responsibility of agencies in emergency situations.

- In its submission to the Committee, OSR suggested that future relocations would benefit from a template project plan reflecting the latest guidelines and processes, and covering issues identified in past projects. The template should cover people, facility and technology issues. The Committee agrees with this recommendation.

RECOMMENDATION 16: That central agencies consider the development of template project planning documents to be regularly updated following feedback from post implementation reviews of major relocation projects. Ideally, the templates would cover people, facilities and technology issues.

- During 2003, the Treasurer wrote to all Ministers and Chairs of State Owned Corporations advising them that they will be required to report each quarter on the progress of all ICT projects above \$10 million to OITC. The Committee is pleased to see the strengthening of the role played by central agencies on large ICT projects. However, projects such as IMPS may have a relatively low initial outlay, but still have a significant impact on key services if not appropriately implemented.

RECOMMENDATION 17: NSW Treasury extend the requirement for quarterly reporting of ICT Projects, to those that are assessed by NSW Treasury or OICT as being of high risk. This would capture projects that may involve a low initial capital outlay (i.e. be less than \$10

million) but that, if not properly implemented, could have a significant impact on the ability of the agency to deliver key services.

Chapter One - Conduct of the Inquiry

COMMENCING THE INQUIRY

- 1.1 The Committee has the power under section 57(f) of the *Public Finance and Audit Act 1983* (PFAA) to:

Inquire into, and report to the Legislative Assembly upon, any question in connection with those accounts which is referred to it by the Legislative Assembly, a Minister of the Crown or the Auditor-General.
- 1.2 On 28 August 2003, the Hon Michael Egan MLC, Treasurer asked that the Committee inquire into the relocation of the IPB to Maitland, and the implementation of the new computer system. On 3 September 2003, the Committee accepted these terms of reference and agreed to conduct the inquiry.
- 1.3 The Chairman announced the inquiry into the IPB on 8 January 2004, and publicly advertised for submissions on 28 February 2004. The closing date for submissions was 2 April 2004.

SUBMISSIONS

- 1.4 The Committee did not receive a large number of submissions. Including supplementary submissions, only 16 were received, 14 of which were public (see Appendix 1 for list). Most notably, NSW Police did not make a submission even though IPB was under the control of NSW Police during the period that the problems emerged. A letter received from the Director-General of the Ministry for Police, the NSW Police contact officer for the inquiry, stated that:

As responsibility for the Bureau rests in another portfolio, the Minister does not believe it appropriate for NSW Police to make a submission to your Review.¹
- 1.5 NSW Police also prevented Accenture, the firm that built IMPS, from providing a submission to the inquiry. An email received by the Committee from Accenture stated that:

Under the contract Accenture has with NSW Police we cannot disclose any of the information you are requesting without their approval. I have requested such approval from Police but this has not been forthcoming to date.²
- 1.6 The secretariat for the Committee contacted the Ministry for Police, requesting that Accenture be given approval to make a submission to the inquiry. No response was received.
- 1.7 The decision by NSW Police not to make a submission to the inquiry, and to prevent other parties from making a submission where possible, was significant as many of the key staff involved in the IMPS implementation and IPB relocation projects did not make submissions to the inquiry, or had moved out of the NSW Public Sector. The Committee considers this decision to be inconsistent with the principle of proper accountability.

¹ Correspondence from the Ministry for Police to the Committee Chairman, received 30/04/04

² Extract of email from Accenture to the Committee secretariat, received 6/05/04

Chapter One

- 1.8 While NSW Police did not make a submission to the inquiry, it did write to the Committee on 28 April 2004 and offered to supply copies of documents relevant to the inquiry. In response to this offer, the Committee requested copies of documents, including the original business case on 4 May 2004. A number of documents were received by the Committee, including an “Abbreviated Business Case”, on 7 June 2004. A copy of the original business case was not supplied, apparently because it could not be located.

HEARINGS

- 1.9 The Committee held public hearings on 18 May in Parliament House, and on 19 May in Maitland. Evidence was taken from officers of NSW Police, Treasury and the Roads and Traffic Authority, the Infringement Processing Bureau and the Office of State Revenue (OSR). The transcript of the hearings can be found on the Committee’s website. Refer to Appendix 2 for a list of the witnesses.
- 1.10 The Committee would like to thank all the individuals and organisations that contributed to the inquiry.

SITE VISIT

- 1.11 Members of the Public Accounts Committee visited the IPB Building at Maitland on 19 May 2004 to gain an understanding of the issues at first hand.
- 1.12 During the site visit, Mr Brian Robertson, the Transitional Manager of IPB gave the Committee an overview of the changes made by OSR to the accommodation after they took control of IPB from 1 October 2003. The Committee also observed the new computer system, IMPS, in operation.
- 1.13 The Committee would like to express their appreciation to Mr Robertson, and the staff of IPB for making the IPB building at Maitland available for their inspection.

SCOPE OF THE INQUIRY

- 1.14 The Committee adopted the terms of reference for the inquiry as described in the letter received from the Hon Michael Egan MLC, Treasurer. Consistent with the Treasurer’s letter, the scope is to understand how problems with the relocation and implementation of IMPS arose, so that the knowledge can be used to improve future similar projects.

STRUCTURE OF REPORT

- 1.15 Chapter Two contains background information relevant to the inquiry. It includes a summary of the services provided by IPB, a discussion of the rationale for the relocation and IMPS implementation, a summary of events relevant to the inquiry in date order, and a review of the extent of fines that become statute barred.
- 1.16 Chapter Three reviews the evidence received about the validity of the original business case, and compares the state of IPB at the time that OSR assumed control on 1 October 2003, to the original business case. The impact of deviations from the original business case is also discussed.

- 1.17 Chapter Four considers the transition arrangements that were made for the relocation and IMPS implementation project, and analyses the evidence obtained on why they were not implemented.
- 1.18 Chapter Five reviews evidence received on the actions taken by NSW Police Senior Management after the relocation.
- 1.19 Chapter six reviews the current NSW Government policies and guidelines applicable to Relocation and ICT projects, considers whether compliance with them would have prevented the problems from emerging within IPB, and makes recommendations on where they could be improved.

Chapter Two - Background

SERVICES PROVIDED BY IPB¹

- 2.1 The Infringement Processing Bureau (IPB) is the Government vehicle responsible for the collection of fines. Infringement notices processed include:
- Traffic
 - Parking
 - Red light cameras
 - Speed cameras
 - General, eg: liquor, environmental, rail & summary offences
 - Local council and other client agency offences
- 2.2 The IPB currently processes “on-the-spot” infringement notices or “penalty notices” for over 600 clients. Clients include, amongst others:
- Local Councils,
 - the Roads and Traffic Authority,
 - National Parks & Wildlife Service, and
 - the Environmental Protection Authority.
- 2.3 IPB provides infringement processing, payment processing, correspondence and Court Election processing for an all-encompassing fee for service, per infringement.
- 2.4 Any agency that is empowered to issue on-the-spot or posted infringement notices can utilise the “Self Enforcing Infringement Notice Scheme” (SEINS), and the services of IPB. SEINS is a system by which on-the-spot or posted notices can be issued for relatively minor offences that can be satisfied by payment of a fine rather than the need to have a matter determined by a Court.
- 2.5 In 2003-2004 the IPB received approximately 2.8 million infringements with a face value of around \$390 million.² This is a very significant amount, and emphasises how important it is to the State of NSW that the operations of the IPB are appropriately managed. The chart “Number of Infringements Received by IPB” in Chapter Three shows the volume of infringements received by IPB since 1999-2000.
- 2.6 Payments for fines are received by IPB and paid to client agencies on a monthly basis. Similarly, IPB invoices client agencies for services on a monthly basis.
- 2.7 Where fines are not paid by individuals within the allotted time, they are referred to the State Debt Recovery Office (SDRO) for collection.
- 2.8 Fines that are not processed within a statutory period become “statute barred”. Once fines become statute barred, the IPB and the SDRO loses the right to enforce the recovery of the fines. This is discussed further below.

¹ Unless otherwise specified, information in this section is from <http://www.ipb.nsw.gov.au>

² Information provided by OSR

RATIONALE FOR THE RELOCATION AND IMPS IMPLEMENTATION

- 2.9 Following the NSW Country Summit in 1996, the Premier made a commitment to relocate 400 public service positions from Sydney to regional and rural NSW by March 1999. The second NSW Country Summit held in 1998, passed a resolution asking the Government to relocate the IPB and the Firearms Registry to regional NSW.³
- 2.10 In discussion with the NSW Premier's Department, NSW Police volunteered to progress with plans for the relocation of the IPB, contingent on funding for capital costs primarily for new Information Technology systems. In 1998 Senior Management within NSW Police was of the view that the IPB could relocate to regional NSW and through new technology, reduce staff numbers from 229 to 139.⁴
- 2.11 On 11 March 1999, the Premier announced that the IPB would relocate to Maitland by 2001 bringing about 150 jobs to the area.
- 2.12 Mr Barry Douse, the General Manager of Infrastructure and Processing within NSW Police from late 1998 until early 2001, was the Project Sponsor for the IPB and Firearms Registry relocation projects. As such, he was responsible for the preparation of and approval of the business case for the relocation, including the IMPS implementation. In his verbal evidence, Mr Douse made the following comments on why Maitland was chosen for the IPB relocation:
- Mr DOUSE:** There was a government decision sometime in the late 1990s to relocate, or to seek relocation of, a number of metropolitan-based functions to non-metropolitan areas. The Infringement Processing Bureau and the Firearms Registry in my neck of the woods were both identified, I believe, by some government committee as having the potential for transferring to non-metropolitan locations.⁵
- 2.13 The relocation of IPB to Maitland was consistent with NSW Government's Government Office Accommodation Reform Program, released in December 1998. Strategy 8 of the program states that:
- Agencies will annually test the viability of a move to regional areas as part of their accommodation planning.⁶
- 2.14 The new Information Technology system that NSW Police planned to introduce at the same time as relocating was referred to as the Infringement Management Processing System (IMPS). IMPS was established to replace the ageing Traffic Penalties System (TPS) which at the time was some 14 years old. Mr Ian Rea was appointed Project Manager for the design, development and implementation of IMPS in September 1999. Mr Ian Rea, made the following comments on TPS:
- Mr REA:** The traffic penalty system, which was over 10 years old, basically was a support system for manual processes at the Infringement Processing Bureau. It was more or less an accounting system and people would be told, "You owe us \$10. Have you paid?" The reporting functions of the old traffic penalties system were outdated and did not give us the information that we needed. The system fell far short of the Government's policy to electronic service delivery down the track. It had ended its useful life.⁷

³ NSW Country Summit – Wagga Wagga 1998, Summit Report, Speeches and Resolutions Passed, p 32

⁴ *ibid*

⁵ Transcript of Evidence 18/5/04, p 8

⁶ *ibid*

⁷ Transcript of Evidence 18/5/04, p 12

2.15 Mr Douse referred to the benefits of changing from TPS to IMPS as predicted in the business case:

Mr DOUSE: ...The biggest issue about the capability of the Infringement Processing Bureau was taking the manual processing out of it. The things that most affected processing capability were bottlenecks caused by taking infringements out of the automated process and requiring manual intervention. These reforms were crucial to making the overall system work and allowing it to work at full capacity.⁸

2.16 A document prepared for the Relocation Steering Committee of NSW Police in September 1999 said that:

The new IMPS system will take into consideration the use of new technologies incorporating imaging, workflow, optical character recognition (OCR) and document management technologies as well as “Hand Held” computers for use by Parking Patrol Officers, Local Councils and electronic capture by Highway Patrol Officers.⁹

2.17 The introduction of such processes as part of the new IMPS, was expected to reduce the “bottlenecks” caused through manual processing, resulting in staff savings of 90 positions. The process improvements assumed in the business case are reviewed in Chapter Three.

SUMMARY OF EVENTS

2.18 EDS Management Consulting Services (EDS) were contracted by NSW Police in 1995 to complete a “Functional Specification for a Conceptual Design” of a new traffic system.

2.19 In April 1999 the Department of Public Works and Services (DPWS) was contracted to consider the work of EDS and undertake a review of the IPB to establish its “core business function” and identify outsourcing opportunities.

2.20 An Abbreviated Business Case for the relocation of IPB to Maitland and implementation of IMPS was submitted to NSW Treasury in May 1999. An initial capital funding allocation of \$4,000,000 was made in the 1999-2000 financial year.

2.21 Mr Douse submitted a paper to the Commissioner in June 1999, which highlighted the results of the DPWS review. The paper said that:

The study (by DPWS) found that there is considerable room for reengineering processes within the bureau and identified opportunities for outsourcing some services, such as payments and receipting. In some cases system modernisation would accompany outsourcing, for example providing internet and interactive voice response (IVR) telephone payments facilities.¹⁰

2.22 The June 1999 paper recommended that:

- The Commissioner be provided with a copy of the DPWS review report,
- That NSW Police endorse the recommendations of the DPWS report, and
- That the reports recommendations be implemented in conjunction with the relocation project.

⁸ *ibid*, p 6

⁹ Document prepared for Relocation Steering Committee Meeting, 27/9/99.

¹⁰ Document supplied by NSW Police

Chapter Two

- 2.23 The then Commissioner of Police, Mr Peter Ryan, approved these recommendations on 17 June 1999.
- 2.24 A letter was sent to Mr Douse on 21 June 1999 from the then Executive Director of Management Services, announcing that he had been nominated the Project Sponsor for the Infringement Processing Bureau Project. The letter also requested that Mr Douse establish a Project Manager, submit a Project Execution Plan and Schedule, and supply monthly reports to the Steering Committee and quarterly reports to the Board on progress on the project.¹¹
- 2.25 Mr Douse left NSW Police in early 2001. Mr Doug Walsham replaced Mr Douse as the acting General Manager, Infrastructure Processing Services, and therefore the IPB Project Sponsor, until the appointment of Mr Peter Wood in December 2001.
- 2.26 The actual relocation of the IPB from Parramatta to Maitland, and the implementation of IMPS occurred in September 2002.
- 2.27 An article appeared in the *Newcastle Herald* on 13 February 2003 alleging a range of problems within IPB. The article said that:
- Maitland's new state-of-the-art \$12 million infringement processing bureau is besieged with problems and battling to cope with a backlog of up to 150,000 outstanding fines.¹²
- 2.28 On 18 June 2003, the Treasurer announced that the IPB would transfer to OSR from 1 October 2003.¹³ A transition program was established in mid July 2003, between NSW Police and OSR, to plan and manage the transition process to ensure a smooth transfer of functions between the two agencies.¹⁴
- 2.29 In preparation for the transfer, OSR commissioned a due diligence review of the IPB. A preliminary report and presentation was provided to OSR's Directorate on 12 August 2003, which included details of the backlog and statute barred revenue losses. As a result of the preliminary findings, OSR's Directorate sought to assume effective control of IPB at the earliest possible date. This was agreed between NSW Police and NSW Treasury in conjunction with the NSW Premier's Department.
- 2.30 On 28 August 2003, the Treasurer announced the appointment of Mr Brian Robertson, Director of the State Debt Recovery Office, as Transitional Manager of the Infringement Processing Bureau. The announcement said that:
- The Transitional Manager's brief will be to reduce the amount of revenue that is being lost to the State Government, local government and other bodies, by cutting the time it takes to process infringements.¹⁵
- 2.31 Control of IPB officially transferred to OSR from 1 October 2003.

¹¹ Document supplied by NSW Police

¹² *Newcastle Herald*, 13/2/03 p 1

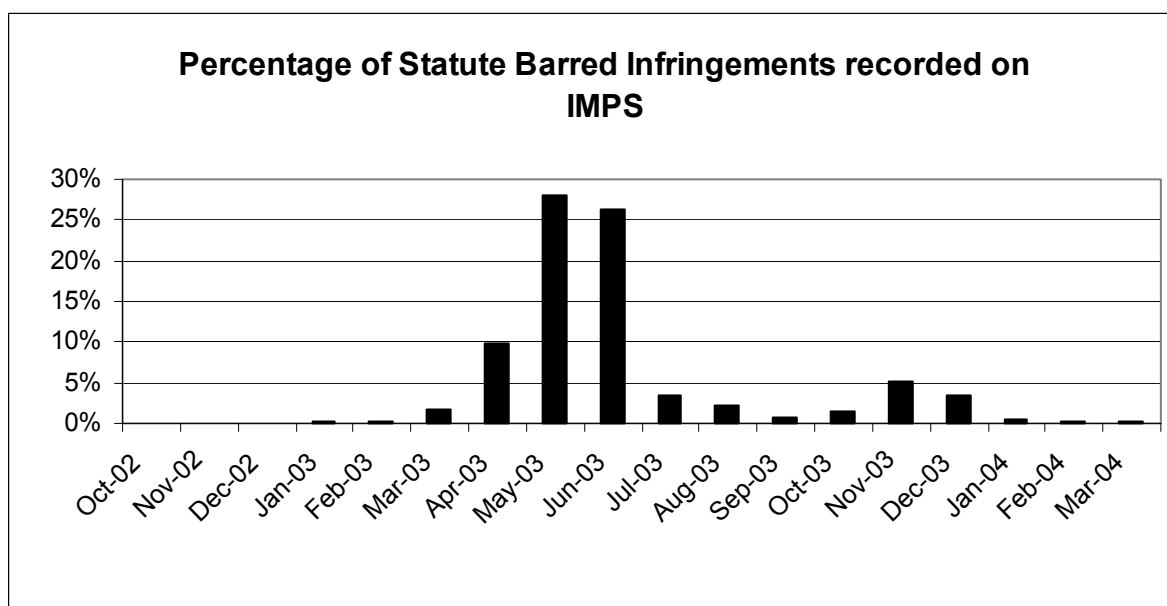
¹³ Media release, Treasurer of New South Wales, 18 June 2003 "Infringement Processing Bureau"

¹⁴ New South Wales Treasury "Submission to the Parliamentary Public Accounts Committee Inquiry into the Infringement Processing Bureau", p 3

¹⁵ Announcement, Treasurer of New South Wales, 28 August 2003 "Transition of Infringement Processing Bureau"

FINES BECOMING STATUTE BARRED

- 2.32 The IPB loses the right to enforce the recovery of fines for infringements when they are not processed within a statutory period. In this situation, the fines become “statute barred”. Prior to 1 August 2003 the statutory period of limitation for most fines was 6 months. The statutory period for most fines was increased to 1 year for fines issued from 1 August 2003.¹⁶
- 2.33 The Treasurer’s announcement of 28 August 2003 reported that some \$32 million in revenue had become statute barred for the financial year ended 30 June 2003. The Deputy Director of the IPB gave verbal evidence that in the period 1 September 2002 to 31 January 2004 about \$41 million had become statute barred. Of this \$41 million, \$29 million was collected for NSW Government entities such as the Roads and Traffic Authority and NSW Police, while a further \$12 million was collected for non-NSW Government commercial clients such as local councils.
- 2.34 The Treasurer approved a compensation package to non NSW Government commercial clients of IPB of 80% of the \$12 million they were owed (i.e. \$9.6 million). The compensation covers the period that the problems emerged from 1 September 2002 to 31 January 2004. The compensation package was consistent with the service level agreements previously entered into between NSW Police and clients, that OSR was legally bound to honour.
- 2.35 OSR report that IPB historically operated on a benchmark of 1% of infringements going statute barred, based on a 6-month statutory period of limitation. This 1% is mainly due to infringements not being received by IPB from clients in sufficient time to process within the statutory limit.
- 2.36 The following chart shows the percentage of the total infringements accepted each month by IPB on the IMPS system that became statute barred between October 2002 and March 2004:¹⁷



¹⁶ The legislative vehicle for the change was the *Road Transport (General) (Operator Onus Offences) Act, 2002*. The Bill passed through the upper house on 9 April 2002 and was assented to on 22 April 2002.

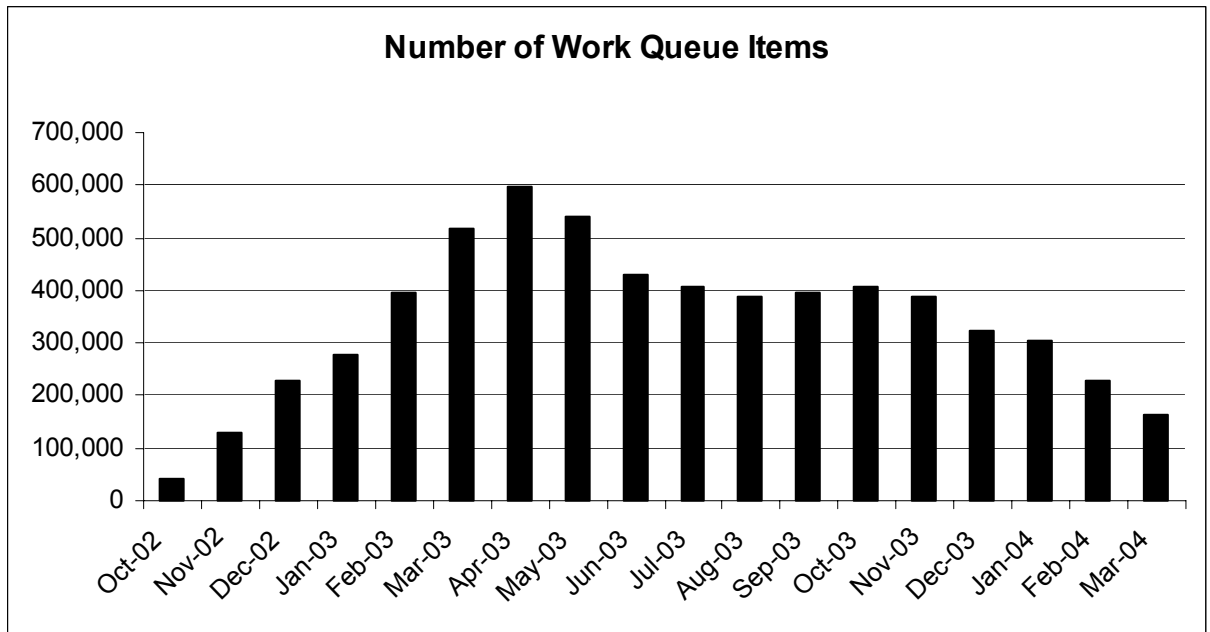
¹⁷ Information supplied by OSR, 3/6/04

- 2.37 The chart shows that the peak period for infringements becoming statute barred was April to June 2003. As IMPS commenced processing infringements from October 2002, this period occurs just after the end of the 6-month statutory period of limitation for new fines loaded onto IMPS. As fines issued prior to October 2002 were processed on the old TPS system, there were very few infringements recorded on IMPS as becoming statute barred prior to March 2003. It is understood that the few infringements that are recorded as becoming statute barred prior to March 2003 were part of the TPS backlog transferred to Maitland (see below for information on the backlog). Some of the backlog was manually loaded onto IMPS by IPB staff in an effort to increase the processing efficiency of the fines on the TPS system.
- 2.38 Apart from those few fines in the TPS backlog that were transferred to IMPS that become statute barred (see chart above), there would also have been other fines in the TPS backlog that became statute barred between October 2002 and March 2003. However, this information cannot easily be obtained because of the limited reporting ability of the old TPS system.
- 2.39 The percentage of fines on IMPS that became statute barred peaked in May 2003 at 28.1%. The system improvements put in place by OSR, combined with the impact of the statutory period of limitation increasing to 1 year, reduced the percentage to about 0.3% for the months of February and March 2004.
- 2.40 It should be noted that while the IPB loses the right to legally enforce the recovery of fines issued after the end of the statutory period of limitation, they can still request that the fines be paid, and accept payment. As a result, the amount of revenue that is actually lost may be less than the amount of fines that are recorded as becoming statute barred in this period.
- 2.41 Another key indicator of how well IPB meets its service delivery obligations is the extent of the backlog (i.e. the number of items awaiting processing) at any point in time. In evidence, the Transitional Manager of IPB, Mr Brian Robertson, said that OSR was aiming to keep work queue items to “round about 70,000 to 80,000” items.¹⁸ Based on IMPS as at May 2004, and on 270 staff, IPB clears approximately 75,000 items per week.¹⁹ The following chart²⁰ shows the number of items on the work queue as at the end of each month between October 2002 and 31 March 2004, as recorded on IMPS:

¹⁸ Transcript of Evidence, 19/5/04, p 6

¹⁹ *ibid*, p 6

²⁰ Information supplied by OSR, 11/6/04



2.42 The above chart does not include the backlog that was maintained on the old TPS system and that was transferred to Maitland as at the date of the relocation. As a result, the chart significantly understates the backlog in the period October 2002 to January 2003. Exact details of the TPS backlog are not available. However the IMPS Project Manager, Mr Ian Rea, stated that the IPB at Maitland:

Mr REA: ...walked straight into a backlog of something like 500,000 outstanding work items.²¹

2.43 The chart shows that the backlog is significantly greater than the target of 70-80 thousand items proposed by OSR. While giving evidence on 19 May 2004, Mr Robertson said that the backlog was “currently sitting at 82,000”.²²

2.44 In his announcement of 28 August 2003, the Treasurer referred to the underlying reasons for the statute barred revenue losses:

I am told the move by the IPB to Maitland in August 2002 brought with it major problems including the loss of experienced staff and the implementation of a new computer system.

Nevertheless, the failure to collect these fines within the six-month limit has been unacceptable.

Most of the fines became Statute Barred between October 2002 and February 2003 – shortly after the IPB moved to Maitland.

2.45 The following chapters explore the circumstances that led to the statute barred revenue losses, and make recommendations on how to prevent similar problems from occurring in the future.

²¹ Transcript of Evidence 18/5/04, p 13

²² Transcript of Evidence 19/5/04, p 6

Chapter Three - The Business Case

3.1 The “Business Case Guidelines” released by NSW Premier’s Department in 2000 define a business case as:

...a form of advice to executive decision-makers. It is a substantiated argument for a project, policy or program proposal requiring a resource investment, often including a financial commitment. It sets out:

- The problem or situation addressed by the proposal;
- The features and scope of the proposed initiative;
- The options considered and the rationale for choosing the solution proposed;
- The proposal’s conformity with existing policies, etc;
- The implementation plan;
- The expected costs;
- The anticipated outcomes and benefits; and
- The expected risks and associated with the proposal’s implementation.¹

3.2 According to the Guidelines, the aim of a business case in the NSW Government is to provide assurance that investments made on behalf of the community result in cost effective and beneficial solutions. The requirement for accountability in the public sector makes business cases an essential and useful tool for substantiating the viability of initiatives and justifying resource investment.²

3.3 Business cases are required for any initiative that will have a significant impact on either internal infrastructure arrangements or the delivery of services to clients. NSW Treasury requires a business case for all projects where the capital value (irrespective of the method of funding) exceeds \$500,000.³

THE BUSINESS CASE

3.4 EDS Management Consulting Services (EDS) was contracted by NSW Police in 1995 to complete a “Functional Specification for a Conceptual Design” of a new traffic system. It is understood that this work resulted in the original business case to replace TPS with IMPS⁴, although as the document could not be located, the Committee was unable to confirm this. In April 1999 DPWS was contracted to consider the work of EDS and undertake a review of the IPB to establish its “core business function” and identify outsourcing opportunities.

3.5 Mr Barry Douse, the then General Manager of Infrastructure and Processing Services within NSW Police used the findings of the DPWS review to prepare an Abbreviated Business Case. This was submitted to NSW Treasury in May 1999. The Committee was unable to determine whether NSW Treasury reviewed a copy of the full original business case, or whether a copy still exists.

3.6 As noted above, while NSW Police did not supply the Committee with a copy of the full original business case, it did supply a copy of the Abbreviated Business Case that

¹ “Business Case Guidelines”, NSW Premier’s Department, 2000, p 1, 2

² *ibid*

³ *ibid*, p 5

⁴ Information supplied by NSW Treasury, 22/6/04

was submitted to NSW Treasury in May 1999. In the absence of the full business case, the Committee had to rely on the Abbreviated Business Case for the purpose of this inquiry.

- 3.7 The Executive Summary to the Abbreviated Business Case says that the model used in this business case assumes:
- IPB as a whole will not be outsourced,
 - An organisation of about 150 staff will be established at Maitland,
 - A stand-alone UNIX hosted solution will be operated at Maitland,
 - A new Infringement Processing System will be implemented that will incorporate imaging, workflow, Optical Character Recognition (OCR – for converting scanned images to text) and document management technologies,
 - Hand Held Computer technology for Parking Patrol Officers and electronic capture by Highway Police Officers.
- 3.8 The total costs predicted in the project were “in the order of” \$12 million for capital, plus changeover costs of \$3.34 million. The business case predicted “tangible benefits” for the project of about \$18.5 million per annum.⁵
- 3.9 A key prediction of the business case was that, after introducing IMPS and performing certain business reforms, the number of staff within IPB could be reduced from 240 to fewer than 150 positions. This estimate was based on an annual volume of 1.7 million fines. The staff prediction was critical, as the IPB building in Maitland was constructed to accommodate this number of positions (i.e. a maximum of 150 staff).
- 3.10 The Committee asked Mr Douse whether the 150 positions, predicted by the business case, were sufficient for IPB:

CHAIR: As you are aware, the infringement processing building at Maitland was constructed to accommodate 150 positions. Can you provide details on how that particular number was determined?

Mr DOUSE: Firstly, during my time as a commercial analyst, I was involved in looking at a wide range of police functions in terms of opportunities for outsourcing and efficiency following the Wood royal commission. It was believed that there could be some savings made and some efficiencies achieved. I systematically worked through a number of functions, including the Infringement Processing Bureau [IPB], to have a look at the opportunities for improving performance and looking for opportunities for service competition improvements in some of those areas. We did a detailed study of the Infringement Processing Bureau.

CHAIR: We, being?

Mr DOUSE: We being the Police Service, and we engaged at that time the Department of Public Works and Services procurement consultancy branch to do the detailed to work in looking at the Infringement Processing Bureau's detailed analysis of workload and function, section by section.

...They were following up on work which had been done a couple of years earlier by the Electronic Data Systems Corporation [EDS], which is a private information technology [IT] consultancy, and they confirmed some of the results of EDS, brought them up to

⁵ Abbreviated Business Case, May 1999, p 2, 3

date and identified specific opportunities for making savings and improvements to the processes run by the Infringement Processing Bureau.⁶

- 3.11 In his evidence, Mr Douse discussed the implementation of the reforms in the business case. The areas targeted for reform, the efficiency changes identified for each area, and the status of each change within IPB as at 1 October 2003 are discussed later in this chapter.

ASSESSMENT OF THE BUSINESS CASE

- 3.12 Mr Douse was asked of his opinion of the business case at the time it was approved and when he was asked to implement it. Mr Douse replied that:

Mr DOUSE: I had been party to putting it together and I was absolutely confident it was doable, practical and realistic.⁷

- 3.13 NSW Police engaged Cooper Consultants Pty Limited in late 2001 to assess the current position and capability of the IPB to meet its re-location timetable for the move to Maitland. The consultants' report, concluded that:

Preparations for relocation of the Infringement Processing Bureau to Maitland are progressing well towards completion in September 2002, but some critical decisions for both the IMPS project and the Relocation Project and provision of additional resources are required to achieve the target deadline.⁸

- 3.14 There is no indication either in this conclusion or elsewhere in the consultants' report that the efficiency savings forecast in the business case were unrealistic.

- 3.15 Mr Colin Brown, the consultant engaged by OSR to perform the due diligence review (see paragraph 2.29 above), was asked whether the 150 staff predicted by the business case was realistic:

Mr RICHARD TORBAY: Are there any circumstances that you can see, having read that previous plan, where 150 staff would have been suitable even if it was fully implemented?

Mr BROWN: I think you have to go back to the time of those business cases. I looked at them as part of the due diligence. They were static business cases done in 1998-99, when the infringement level was 1.7 million. One hundred and fifty staff was probably appropriate to process 1.7 million infringements but when OSR took over as at July it was running at 2.3 million infringements, which is in excess of 30 per cent on top of that 1.7 million.⁹

- 3.16 This opinion was consistent with that of the IMPS Project Manager, Mr Rea:

Mr RICHARD TORBAY: Were any aspects of the business case unrealistic?

Mr REA: No. Having looked at the volumes at the time of the business case, and in hindsight, yes, because we did not plan for the volumes and the backlog that we walked straight into.¹⁰

- 3.17 The fact that IPB's operations were so disrupted subsequent to the relocation and IMPS implementation suggest that the business case and associated plans were unrealistic, or that the implementation did not occur according to plan. The above

⁶ Transcript of Evidence 18/5/04, p 1

⁷ *ibid*, p 5

⁸ "Review of Infringement Processing Bureau", Final Report by Cooper Consultants Pty Limited, p 4

⁹ Transcript of Evidence 19/5/04, p 5

¹⁰ Transcript of Evidence 18/5/04, p 13

evidence suggests that the efficiency gains predicted in the original business case were probably realistic when it was prepared in 1998-99, but that they later became unrealistic due to variations in volumes and the treatment of the backlog. This evidence, together with the evidence below, also suggests that it was not implemented as planned.

- 3.18 Evidence received has shown that the cost of implementing IMPS was significantly greater than that assumed in the business case. The budgeted costs for implementing the business case may therefore have been unrealistic. This is considered further below.
- 3.19 As noted above, guidance on the development of business cases is contained in the NSW Premier's Department "Business Case Guidelines" (the "Guidelines") issued in 2000. The Department of Commerce also maintains a separate "Business Case Development Guideline" which is essentially the same as those issued by the NSW Premier's Department, except for some tailoring for Information and Communications Technology projects.
- 3.20 While the Guidelines were issued after the business case for the IPB relocation was developed, they still provide a benchmark against which the practices of NSW Police at the time can be assessed.
- 3.21 As noted above, the Committee was not supplied with a copy of the full business case for the IPB relocation and IMPS project. Consequently the Committee was only able to compare an "Abbreviated Business Case", together with project information contained in other documents supplied by NSW Police, to the requirements in the Guidelines.
- 3.22 A comparison of the Abbreviated Business Case to the Guidelines showed that the business case did not contain many of the elements contained in the Guidelines. There is evidence, however, that most of the other elements were addressed in documents separate to the business case. The exceptions were:
- Quality Management. The three essential elements of the quality management process are quality assurance, quality control, and corrective action and feedback. The overall aim of quality management is to cost effectively ensure that project deliverables, such as project planning, specifications and risk assessment, are of an appropriate quality. The monitoring of the quality of deliverables occurs through the conduction of quality control activities. Guidance on Quality Management is provided in the "Quality Management Guideline" issued by the Department of Commerce.
 - Benefits Realisation. The aim of benefits realisation is to ensure that the benefits identified in a business case are delivered. Guidance on Benefits Realisation is contained in the "Benefits Realisation Guide" issued by the Department of Commerce.
 - Project Evaluation and Post Implementation Review. This involves evaluating how well the expected business objectives and benefits of the project were realised after implementation. The aim is to compare what was planned to what actually happened and assess whether the outcome added value to the organisation.
- 3.23 The lack of focus on Quality Management and Benefits Realisation would have had a significant impact on the ability of NSW Police to deliver a successful project. As noted below, the business case for the IPB relocation and IMPS implementation

became out of date due to changing circumstances. A strong Quality Management and Benefits Realisation focus would have helped ensure that even in the face of the changing circumstances, the benefits promised in the original business case were achieved.

3.24 In its submission to the inquiry, OSR also emphasised the value of Quality Management procedures on projects:

The steering committee should appoint an independent quality assurance (QA) manager to provide periodic reports directly to the committee on progress against the approved business plan and budget and ensure that these are consistent with the approved and funded business case. For very large or sensitive projects an appropriate central agency should appoint the QA manager to ensure central agencies are informed of progress throughout the project.¹¹

RECOMMENDATION: For significant projects, and where cost effective, agencies should include:

- Quality Management processes to ensure that project deliverables are of an appropriate quality, and
- Benefits Realisation processes to ensure that the benefits forecast in business cases are realised.

For very large or sensitive projects, NSW Treasury should appoint a Quality Manager to report back on Quality and Benefits Realisation progress.

3.25 A submission provided by the Office of Information and Communications Technology (OICT) within the Department of Commerce, states that:

From October 1997 onwards all General Government budget dependent agencies (excluding state owned corporations and public trading enterprises) requiring budget funding to implement new ICT projects costing \$500,000 or more were directed by the Treasurer to prepare and forward business cases for new ICT projects to the Office of Information and Communications Technology for assessment. Agencies are advised of this requirement via an annual NSW Treasury Circular.¹²

3.26 In terms of the role that OICT played in the implementation of IMPS, the submission states that:

...the Department of Commerce had no role in assessing a business case for the system or in overseeing its implementation.¹³

3.27 This evidence shows that in accordance with the current system, the IPB relocation and IMPS Implementation business case should have been reviewed by the Department of Commerce, but was not. The Committee took evidence from Mr Douse on why the Treasurer's requirements were not adhered to:

CHAIR: ...I want to ask you a question regarding the Treasury requirement that ICT projects of over half a million dollars have business cases prepared in accordance with the Office of Information and Communication Technology, which is directed to the Office of Information and Communication Technology for assessment. The Internet project cost more than \$10 million. Why was not that looked at under those auspices?

¹¹ OSR submission, p 10

¹² Submission from the Hon J J Della Bosca MLC, p 1

¹³ Cover letter to submission from the Hon J J Della Bosca MLC

Mr DOUSE: I cannot recall. I recall that Treasury would certainly be provided with a business case. I cannot recall the involvement of the OIT or OITC other than that I know they were well aware of what we were doing because they had partly funded some of phase one.

CHAIR: You are saying they were aware of it?

Mr DOUSE: OIT had been intricately and intimately involved in phase one in providing \$100,000 for the funding of the IVR and Internet technology. In fact, they had approached us to get the fine payments done over the Internet as part of an overall government initiative.¹⁴

- 3.28 Discussions have indicated that part of the reason for the confusion may have been because the initial business case covered both the relocation, and the implementation of a new computer system. Hence, while there were specific approval processes that applied to Information and Communications Technology (ICT) projects as opposed to accommodation projects, there was only a single business case, and this led to confusion about which approval processes applied.
- 3.29 The Committee is not opposed to a single business case being developed for accommodation and ICT related projects when appropriate. The forecast staff savings expected through the introduction of IMPS was expected to enable IPB to relocate to a smaller building than would otherwise have been possible. It could therefore be validly argued that a single business case should be prepared for both projects as the costs and benefits were highly related.
- 3.30 However, for the approval processes to be effective, the Committee is of the view that NSW Police should have obtained OICT's approval for the parts of the business case that related to ICT projects, and NSW Treasury's (or other agencies as relevant) approval for the parts of the business case that related to the accommodation project. If this does not occur, the approval process is not effective.

RECOMMENDATION: Where a single business case is developed for a project that covers various areas of expertise (such as accommodation, and Information and Communications Technology) the business case should be broken down into components for the purpose of the approval process. The central agency that reviews ICT related business cases should review the ICT components, and the central agency that reviews accommodation related business cases should review the accommodation components. Overall approval authority should remain with NSW Treasury.

- 3.31 The Committee notes that separate project management teams were later established for the relocation, and the IMPS implementation.

COST OF THE RELOCATION AND IMPS IMPLEMENTATION

- 3.32 The Committee does not have enough information to perform a full comparison of the budgeted expenditure as described in the business case to the actual expenditure incurred by NSW Police. However the Committee has obtained evidence that:
- The cost of the fit-out of the new Maitland accommodation was estimated in original business case to be \$1.06 million, while the actual cost in 2002-2003

¹⁴ Transcript of Evidence 18/5/04, p 9

was \$1.875 million.¹⁵ In addition, OSR made interim changes to the Maitland building to accommodate a second shift, costing \$92,000 and a final refurbishment project during 2003-2004 cost a further \$325,000.¹⁶ Based on this information, the cost of the fit-out is therefore about \$1.2 million more than was assumed in the original business case.

- The budgeted cost of the IMPS project was \$11 million in 1999-2000, after allowing \$1.8 million to be spent on hand-held devices. The actual cost was \$11.612 million to the end of 2002-2003, without any hand-held devices being purchased.¹⁷ In 2003-2004 OSR spent a further \$2.4 million on IMPS, mainly on enhancements, e-payment improvements, and infrastructure and capacity planning. The 2004-2005 budget forecasts a further \$1.5 million to be spent on IMPS.¹⁸ To the end of 2004-2005, the cost of IMPS is therefore likely to be about \$6.3 million more than was assumed in the original business case, taking into account that hand-held devices were not pursued.
- Upon assuming control of IPB, OSR was given a "Transition Program" budget of \$302,000. To the end of April 2004, \$425,000 has been expended on transition projects. The expenditure over budget has been absorbed by IPB.¹⁹

3.33 On the basis of the above information, NSW Police and OSR have collectively incurred expenditure of about \$18.2 million for the relocation and IMPS implementation project, against a revised budget of \$10.2 million. The revised budget is the original total costs of \$12 million less \$1.8 million originally allocated for hand-held devices.

3.34 The evidence therefore suggests that while the efficiency savings forecast in the original business case were probably realistic, the cost of implementing the project was significantly understated. The unrealistic initial budget became especially significant because NSW Police was operating on the assumption that no additional funding was available. To compensate for the lack of funds, NSW Police decided not to implement parts of the business case. The departures from the business case, and their implications are considered below.

THE STATE OF IPB WHEN CONTROL PASSED TO OSR

3.35 In his verbal evidence to the Committee, the Transitional Manager described the state of the IPB around the time that control was transferred to OSR:

Mr ROBERTSON: We took over effective management of the IPB from 28 August 2003. At that time there were significant backlogs in work queue items. Lost revenue had been identified as a result of matters becoming statute barred. We also identified problems with understaffing in the IPB, accommodation constraints, instability in the computer system, unreconciled bank and client accounts and some management practices.

At 1 October 2003 the IPB had 161 full-time equivalent staff. Our estimate at that time was that the establishment should have been about 239 staff.

We established that there had been no reconciliation since the introduction of the IMPS in September 2002.

¹⁵ Information supplied by NSW Treasury

¹⁶ Contained in submission provided by OSR

¹⁷ Information supplied by NSW Treasury.

¹⁸ Contained in submission provided by OSR

¹⁹ *ibid*

We have also addressed some management practices that had the effect of producing infringement-to-stand letters without appropriate adjudication. That practice was stopped immediately.

Issues that we identified around IMPS were response times were poor, and we realised that there were potential capacity issues in terms of the volumes that it could handle.²⁰

- 3.36 OSR's submission to the inquiry also reported that the IMPS system was not performing to the standards specified in the original IMPS tender document, and suffered from stability problems. A critical specification was the response times. In accordance with the tender specifications, the average response times should have been 3 – 5 seconds for 85% of transactions, and up to 15 seconds for the remaining 15%. This was not being achieved.

COMPARISON BETWEEN ASSUMPTIONS IN THE BUSINESS CASE AND STATE OF IPB WHEN OSR ASSUMED CONTROL

- 3.37 This section compares the operations of IPB as assumed in business case, to the actual operations of IPB at the time that OSR assumed control on 1 October 2003. The impact of these deviations is considered later in this chapter.

- 3.38 In evidence, Mr Douse identified a “number of savings” that the business case predicted would enable the number of IPB staff to be reduced.²¹ The following efficiency improvements were identified by Mr Douse:

- Handwritten Infringement Notices

At the time the business case was prepared infringement notices were hand written, and as a result were often incomplete or illegible. The information on hand written infringement notices had to be manually entered into TPS.

The business case assumed that hand-held devices would be introduced, leading to savings through:

- Elimination of time spent sorting through illegible and incomplete hand written tickets
- Data entry savings as information is keyed in electronically by the fine issuer, rather than data entered by IPB staff
- Increased accuracy of information through the use of mandatory fields

OSR report that as at 1 October 2003, hand held devices had not been implemented and there was no funded capital program to commence their implementation. OSR has since sought and received capital funding to enhance IMPS to enable the introduction of handheld devices.

- Processing of Credit Card Payments

At the time that the business case was prepared, if credit card details provided were incorrect or invalid, IPB staff were required to write to individuals requesting corrected information. This was a manual and time consuming process.

²⁰ Transcript of Evidence 19/5/04, p 1

²¹ Transcript of Evidence 18/5/04, p 3, 4

The business case assumed the introduction of electronic payments via Interactive Voice Response (i.e. over the telephone) and the internet. Electronic payments would lead to savings as:

- System controls would prevent the submission of incomplete credit card details, and
- Letters could be automatically issued notifying individuals of credit card detail errors.

OSR reports that electronic payments was implemented well before 1 October 2003. However a defect of the system was that it enabled multiple payments of a single infringement. When this occurred, considerable manual effort was required by IPB staff to process refunds and respond to dissatisfied customers. OSR has obtained capital funding to address the major problems with the electronic payments system, transfer the system to the OSR Data Centre and to transfer banks from ANZ to Westpac under the Government's new banking contract.

- The Adjudication of Representations.

The adjudication of representations occurs when fined individuals request to be excused for fines. The adjudication involves IPB staff comparing the grounds for the request against IPB Guidelines. At the time the business case was prepared, this was a time consuming process because:

- There was no standard form for representations so they could be in various forms, including lengthy letters,
- The grounds for being excused were not publicly available, with the result that many requests were received for reasons outside of the Guidelines (i.e. that would fail to be excused).

The business case forecast savings through:

- Introducing a standard form to be used for representations,
- Automating the adjudication process where possible through use of the internet, and
- Providing the public with access to IPB's Guidelines to reduce the number of unsuccessful representations.

OSR reports that none of these reforms were in place as at 1 October 2003. Reforms in this area will be considered once OSR is confident that IMPS performance is acceptable. Only about 8% of customers currently pay their infringements electronically using the internet, so internet solutions are not a panacea.

- The Adjudication of Speed Camera Tickets

At the time that the business case was prepared the adjudication of speed cameras was largely a manual process. Speed camera images were received by IPB staff on "wet film" and then manually loaded into IMPS. An IPB adjudicator then reviewed the loaded images to determine if number plate details related to a vehicle registered to the fined individual.

The business case assumed that savings would be achieved in this area through:

- Requiring information to be supplied in digital format so that it could be loaded electronically into IMPS,
- The introduction of Optical Recognition software, so that the process was further automated. Legible images would then be processed automatically.

OSR reports that the Digital Image Processing System (DIPS) enhancement of IMPS was not implemented until August 2003. As a result of this enhancement, camera images received from the RTA were electronically uploaded into IMPS from this date.

A contract will be let in 2004 for digitising wet film from NSW Police red light cameras and vehicle mounted speed cameras. This will enable the remaining old technology cameras and their wet films to be converted to digital images, and processed in the same way as digital camera images.

NSW Police and Accenture considered Optical Recognition software and concluded that it was not sufficiently accurate for infringement processing.

- Receipting

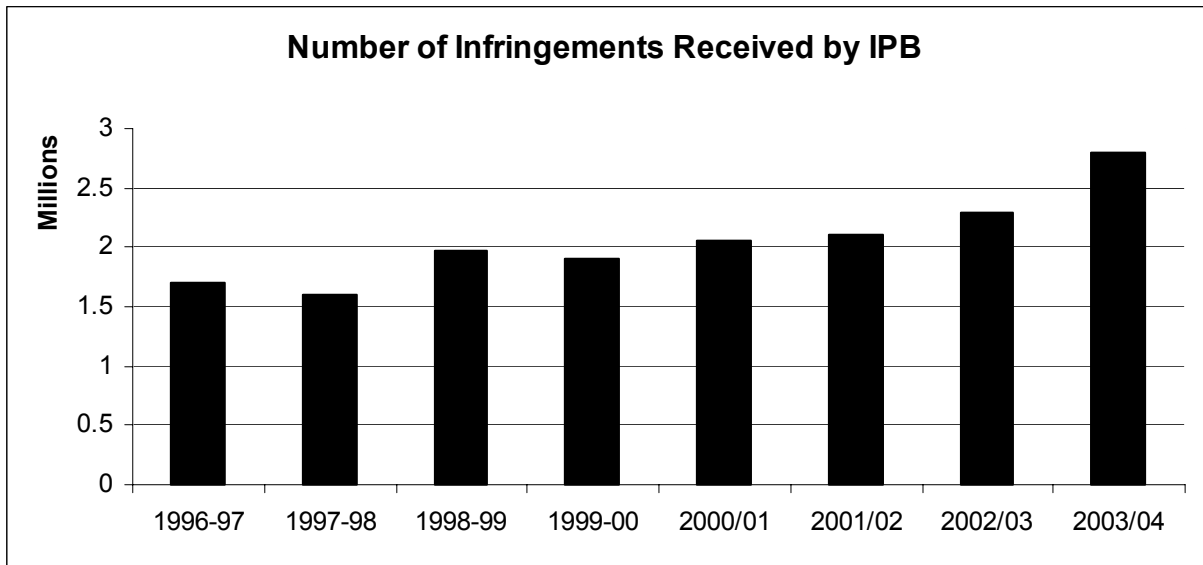
At the time that the business case was prepared, receipts were manually issued. The business case assumed that the receipting process would be automated through:

- The introduction of electronic payments so that receipting is performed electronically, and
- Accepting payment through agents such as Australia Post thereby effectively outsourcing the receipting function.

Electronic payments and Locked Box payment processing was introduced by NSW Police in 2001 and 2002. The Locked Box system essentially outsourced the payment and receipting process.

3.39 Another significant difference between the business case, and the actual operations of IPB was the assumed volume of infringements. It is understood that the original business case was based on an assumed volume of 1.7 million infringements per annum.²²

²² Transcript of Evidence 19/5/04, p 5



- 3.40 The above chart shows the volume of infringements actually processed by the IPB each year between 1996-97 and 2003-2004.²³ OSR estimates that the IPB will process around 2.8 million infringements in 2003-2004. The volumes from 2000-2001 onwards are significantly more than the 1.7 million infringements assumed in the business case.
- 3.41 The following discussion between the Committee and representatives from OSR, about the capacity of the IPB to handle growing infringement volumes, highlights another significant departure from the business case:

Mr STEVE WHAN: With that capacity to gear up as the workload increases, are you confident that the system is capable of increasing the number of users and demand without impacting on its performance?

Mr ROBERTSON: That is certainly part of the capacity planning exercise that is under way at the moment, so it can handle scaling, scaling of volumes. As we indicated, this year we expect about 2.8 million infringements to come through. Next year that could conservatively be three million, three million plus and moving forward. So, we need a scalable system.

Mr STEVE WHAN: We received evidence yesterday that a \$2.4 million server is sitting there. That is a lot of money. Is that a software issue or a hardware issue?

Mr BROWN: It is both, but certainly the scalability of IMPS and the capacity planning report we have done recommends strongly that we move from the existing architecture to more scalable architecture. Also, the evidence yesterday was that there is this very large single server. If that goes down there are plenty of what they call single points of failure. We would want to go to more redundant architecture so that we do not have those single points of failure, and rather than spending \$2.4 million on another large box we can spend \$30,000 one little one, and do it progressively as the volumes increase.

Mr STEVE WHAN: Having looked at that, would you say that the original specifications for this were flawed in going for that fairly narrow architecture with points of failure that you mentioned?

²³ Information supplied by OSR

Mr BROWN: No. The original design documents done by EDS and then in the business cases were for a three-tier environment, which is similar to what we want to implement. The police did not implement that sort of environment.²⁴

3.42 The submission to the inquiry from OSR also pointed out various departures from the IMPS tender specifications, originally issued in early 2000. The tender specifications flowed from the business plan. The IMPS tender specified:

- The system must be able to support the initial expected infringement volumes (stated in the specification at 2.8 million)
- The system must be able to handle a 2% increase per annum in transaction volumes for the next 5 years (i.e. up to 3.09 million after 5 years)
- The system should be able to support at least 50 concurrent users,
- The system should be able to support at least 200 logged on users,
- The system must be available for update access to users 4am to midnight, Monday through Saturday,
- The system must be available for read only access to users 24 hours per day, 7 days per week. The system must be available for 98% of this time, over a month, with no more than 2 hours consecutive down time,
- Average response times between 3-5 seconds for up to 85% of transactions, and up to 15 seconds for the latter 15% of transactions.

3.43 OSR reports that, at the time that OSR assumed responsibility for IPB, statistics on the performance and stability of IMPS were not available. However it was noted that:

- The batch update process running each night was not being completed on time and consequently continued to run in the background each day until completed,
- Target average response times were not being achieved (due in part to the impact of the batch process running in the background), and
- The introduction of a night shift by OSR highlighted a number of problems in the underlying software layer of IMPS. It required a restart of IMPS to temporarily rectify the problems. Generally two or three restarts were required each day resulting in approximately 30 minutes of downtime on each occasion.²⁵

²⁴ Transcript of Evidence 19/5/04, p 9

²⁵ Based on information in OSR submission to the inquiry

WAS THE BUSINESS CASE UPDATED AS CIRCUMSTANCES CHANGED?

3.44 The Committee asked the IMPS Project Manager, Mr Rea, why the prediction that 150 positions would be sufficient for IPB's operations remained unchanged, even after the above deviations from the original business case had been made.

CHAIR: Why did the staff stay constant at 150?

Mr REA: That was not a project decision as compared to the technology, that was a management risk, and I did not have day-to-day involvement in the management functions of the IPB.²⁶

3.45 Mr Rea was also asked whether the business case was amended once decisions were made not to depart from it:

CHAIR: How did anyone reassess the business plan once decisions were made not to follow the business plan?

Mr REA: I have no knowledge of how that came about but I do understand that the firm Accenture undertook a restructure and grading exercise before the move to Maitland took place. I had no part in that.

Mr STEVE WHAN: Obviously, by not implementing the hand-helds what was implemented changed from the original business case. Was there a reassessment of the business case by Accenture?

Mr REA: No, not to my knowledge.²⁷

3.46 The evidence provided by OSR was that the business cases were "static",²⁸ and based on information that existed in 1998-99 when they were being prepared (see paragraph 3.15 above).

3.47 The issue of whether plans, including the business case, were updated as circumstances changed was discussed with NSW Police, in the context of the decision not to implement the hand-held devices:

CHAIR: Yes, there was no money; therefore, you decided obviously not to buy them. Were the relevant plans then adjusted for that change in business case?

Mr WOOD: There was no money, not so much to buy the hand-held devices but to do the system changes that were required to accommodate the hand-helds. So that was not my decision to make; that was the fact—that there was no money to make those changes. We continued to commence operations at Maitland, as was expected, with the 150 staff, and we talked to the staff.

CHAIR: What I keep having difficulty with is that along the way there were a number of changes made to the relevant plans. Some plans were even updated because of those changes, but the staff numbers were always the same. We heard evidence earlier this morning that staff and other people had concerns about those staffing numbers. There were fewer staff—anywhere between 90 fewer staff than there were at Parramatta, yet you are going to be doing potentially twice as much work in Maitland in an untried, untested computer system. Was it a significant decision not to implement the hand-held devices module as far as staffing was concerned?

Mr WOOD: Yes, it was a significant decision. I think in terms of the staff numbers, it needs to be put in context as well. There was certainly a very strong expectation that there would be only 150 people in Maitland.²⁹

²⁶ Transcript of Evidence 18/5/04, p 15

²⁷ *ibid*, p 14, 15

²⁸ Transcript of Evidence 19/5/04, p 5

- 3.48 To summarise the above evidence, the business case was not updated for the changing circumstances. This meant that the assessment made in 1998-99 that 150 staff would be sufficient for IPB was also no longer valid.

THE IMPACT OF DEVIATIONS FROM THE BUSINESS CASE

- 3.49 The comparison above reveals significant differences between the original business case, and what actually occurred within IPB. The Committee is not in a position to be able to assess the impact of each deviation on the validity of the business case. Collectively, however, all parties seem to agree that the impact of the decision not to implement the hand-held devices module, not to go ahead with the DIPS until August 2003, the problems with e-payments, the decision not to proceed with reforms in the adjudication of representation area, and the decision not to proceed with Optical Recognition software represented significant departures from the business case.
- 3.50 The Committee makes no comment on the appropriateness or otherwise of the business decisions made by NSW Police to depart from the business case. The Committee is instead concerned with how NSW Police arrived at these decisions, and whether the impacts were appropriately identified and managed.
- 3.51 The fact that the volume of infringements actually received by IPB after the relocation was dramatically greater than the 1.7 million assumed in the business case, would have had a profound impact on IPB's operations. This is especially the case given that many of the process improvements that the business case said would lead to efficiency improvements and staff savings (such as the implementation of the hand-held devices module) were not implemented.
- 3.52 The Committee specifically discussed the impact of the decision to not implement the hand-held devices module with Mr Colin Brown:
- Mr BROWN:** Hand-held devices are not the panacea. The original EDS Australia Ltd business case provided in 1995 estimated that they would save perhaps eight staff and provide economies in data entry contract costs. There is an overwhelming business case to implement them and that proposal has gone to tender.³⁰
- 3.53 The estimated savings in terms of staff numbers was made by EDS Australia Ltd in 1995. Given that the volume of infringements processed by IPB has almost doubled since this date (refer to the chart "Number of Infringements Received by IPB" above), the Committee assumes that the savings would be greater than 8 staff, if restated for current volumes.
- 3.54 The decision by NSW Police not to implement the system architecture assumed in the business case also seems very significant to the Committee. A capacity planning review performed by OSR in early 2004 identified "serious shortcomings with the IMPS physical infrastructure that are a major cause of poor response times".³¹ As a result of this decision, the IPB as OSR found it on 1 October 2003, did not have the flexibility to cope with a significant increase in the volume of infringements. This would have contributed to the inability of IPB to appropriately adjust to the problems that arose after the relocation.

²⁹ Transcript of Evidence 18/5/04, p 24

³⁰ Transcript of Evidence 19/5/04, p 10

³¹ OSR Submission, p 7

3.55 History has shown that the volume of infringements IPB is required to process can change significantly over time. As a result, the Committee agrees with the assessment by OSR that a scalable form of architecture, along the lines of that assumed in the business case, would have been more suitable for IPB. There is no evidence that NSW Police performed adequate sensitivity analysis of the architecture options, prior to making the decision to deviate from the business case. The Business Case Guidelines issued by NSW Premier's Department defines sensitivity analysis as:

...a mechanism for calculating best and worst case scenarios for options. If specific variables such as price or cost have a high probability of movement, then you should factor in a higher or lower figure for those variables. In the Guidelines for Financial Appraisal, Treasury recommends ranges for key variables of plus and minus 20%.³²

3.56 In other words, NSW Police should have considered the impact of the new proposed architecture on IPB's ability to service clients, based on a range of likely future infringement volumes. As the volume of future infringements is outside of IPB's control, the logical way to determine the range would have been through consultation with IPB's clients. Consultation with clients on the appropriateness of key assumptions is emphasised in a recommendation below.

3.57 The Committee cannot quantify the impact (in terms of staff numbers) of IMPS not performing to the specifications required in the tender document. The Committee discussed this with OSR:

CHAIR: Going back to the computer system, we heard there were differences in the tender specifications and what happened. You have given evidence that that had a severe impact on the productivity of staff, staff were not able to do what was required. Have you a view on how many additional staff would be required to compensate for those problems in the implementation of IMPS?

Mr BROWN: It is a very difficult question to answer, because as you bring more people on you create a bigger workload on IMPS and then you tend to get response time degradation. So it is not just a static model. It is an issue we have grappled with for the best part of the time we have been involved. We are only now getting to business as usual so to try to forecast with a fair degree of accuracy what staffing level you need going forward when you still have arrears we found quite complex.³³

3.58 The evidence given by Mr Wood, as quoted in paragraph 3.47 above, is that the figure of 150 positions was not recalculated for changing circumstances, as the expectation was that there would only be 150 people in Maitland, and there was no money to supply additional resources.

3.59 The Committee has interpreted this evidence to mean that there was no point in NSW Police recalculating the resources required for IPB to operate in the changed circumstances. Even if the prediction was that additional staff above 150 was required for IPB to meet its service delivery obligations, NSW Police could not supply the additional resources. As a result of this approach, the business case, and the assessment that 150 staff was sufficient for IPB, effectively became irrelevant.

3.60 The Committee is of the view that business cases, and the planning documents that are based on them need to be kept current. The Committee acknowledges that:

- Many assumptions made in business cases are outside the agency's control (such as discount rates used in net present value calculations),

³² Business Case Guidelines, NSW Premier's Department, p 24

³³ Transcript of Evidence 19/5/04, p 8

- The assumptions upon which business cases are based are often estimates based on the information available at the time (such as the estimated future volume of infringements), and
- It is not practical to continually change business cases and the plans that flow from them when major infrastructure investments (such as buildings) are based upon their output.

3.61 Even with these limitations, however, for business cases to remain valid, agencies must revisit them at regular intervals to ensure that they remain materially correct. If they are found to be materially incorrect, agencies can at least take action to ensure that agency service delivery is not impacted upon project implementation, and consider other risk and business continuity management options.

RECOMMENDATION: Business cases, and the planning documents that are based on them, are only useful to the extent that they reflect reality. To ensure that they remain realistic, they should be regularly checked and updated. This is especially vital for projects that run over an extended period.

3.62 As noted above, to check the ongoing validity of the assumptions made in the business case, the IPB should have discussed the likely changes in future infringement volumes with its clients (such as the RTA). The following evidence given by the IMPS Project Manager, Mr Rea, suggests that this process did not occur effectively:

Mr REA: What started out as expressions of interest through the RTA—although we were aware that it had a plan to implement digital cameras—turned into a full-blown tender. The RTA implemented ahead of schedule quite a number of cameras that we were not prepared for.

CHAIR: Yes. We have seen some numbers in relation to that lack of preparedness. Hundreds of thousands of fines came through. Why was there that lack of awareness? Was it because the RTA did not communicate its plan effectively?

Mr REA: I cannot say. I was not aware of how many it was going to implement until the final hour. I am not aware that it communicated that to IPB. Initially the RTA intended to install five cameras on a trial basis but it turned out to be full production. It then turned into hundreds virtually overnight. That decision was made by the RTA.³⁴

RECOMMENDATION: Where a business case is based on assumptions that are controlled by external parties, the agency responsible for the project should confirm with those external parties that the initial assumptions are valid, and that they remain valid until the project is implemented. This should be in writing and “signed off” by the relevant agency.

3.63 The Committee recognises that circumstances change, and agencies will often need to make decisions to depart from a position assumed in business cases.

3.64 The comparison between the business case, and the state of IPB at the time that OSR assumed control shows that NSW Police made many decisions to deviate from the position assumed in the original business case. There is no evidence however, that NSW Police thoroughly considered the impact of these decisions, prior to implementing them, and that the business cases and planning documents were

³⁴ Transcript of Evidence 18/5/04, p 17

updated for these decisions. This suggests that the crisis management practices of NSW Police were poor.

3.65 The Committee is of the view that, prior to implementing decisions to deviate from business cases, agencies must thoroughly analyse the impact of those decisions, not just in the short term, but also over the life of projects. As part of this process, agencies should:

- Identify the available options,
- Consider the implications for the business case of each option, and
- Analyse the implications for business continuity, risk management and benefits realisation of each option.

3.66 Only after completing an impact study covering the above elements, can agencies make informed decisions. The results of the analysis should be maintained as an official record to support the approval of any decision to deviate from the business case.

RECOMMENDATION: Prior to implementing decisions to deviate from business cases, agencies must thoroughly analyse the impact of those decisions, not just in the short term, but also over the life of projects.

3.67 Documentation supplied by NSW Police shows that the then Commissioner of Police approved the implementation of the recommendations contained in the IPB relocation and IMPS implementation business case. There is no evidence, however, that the Commissioner of Police approved the decisions to deviate from that business case.

3.68 Before giving the approval to depart from an approved business case, the approving officer should review an impact analysis for each available option consistent with the recommendation above. This process ensures that the approving officer maintains control of the project even though deviations may occur from the approved business case. By not obtaining the Police Commissioner's approval for the variations, the Commissioner's initial approval became ineffective and he lost control of the project.

RECOMMENDATION: There should be clear lines of responsibility and accountability for business cases. Variations to business cases should not be implemented unless first approved by the same level of management that approved the original business case.

3.69 The Committee asked NSW Treasury whether it was aware of changes to the project scope (e.g. the dropping of hand held fine collecting devices to pay for the new computer system). In its submission, NSW Treasury said that:

Treasury was advised by Police that the scope of the IMPS project needed to be expanded to accommodate both the introduction of digital speed cameras by the RTA and the introduction of internet payment facilities via the government's *connect.nsw* program. Police also advised that while the changes would impact the expected delivery date for the new system, the additional expenditure involved could be encompassed within the initially approved allocation.

Treasury was not aware that the capacity of the system to handle hand-held fine collection devices had been excluded from the planned scope of the project until around the time that IPB's functions were transferred to the Office of State Revenue.³⁵

- 3.70 As noted above, the impact of the deviations from the business case were so significant that it effectively became irrelevant. This is especially the case when the decision not to proceed with the transition plan was taken into account. This is of concern as the Budget Committee of Cabinet granted capital funding to NSW Police on the basis of the original business case and the accompanying financial and economic appraisals. The Committee is of the view that prior to making the decision to significantly depart from the business case, NSW Police should have submitted an amended business case (with updated financial and economic appraisals) to NSW Treasury, and obtained the approval of the Budget Committee of Cabinet for the variation. This process would have forced NSW Police to fully consider the impact of their decision to depart from the business case.

RECOMMENDATION: Where significant capital funding is involved, the agency should not materially deviate from the original business case without first obtaining the approval of NSW Treasury, as delegated by the Budget Committee of Cabinet. Before approval is given to the agency to deviate from the business case, NSW Treasury should review an updated business case including a financial and economic appraisal.

- 3.71 It is understood that if the relocation and IMPS implementation project was to occur now, NSW Treasury through OICT, would play a much more active role in monitoring the progress of the project. The current policies and guidelines relevant to ICT and accommodation projects are considered further in Chapter Six.

³⁵ Supplementary submission supplied by NSW Treasury

Chapter Four - The Transition Plan

OUTLINE OF THE TRANSITION PLAN

4.1 A review of the IPB Relocation Program performed by Cooper Consultants Pty Limited in 2001, highlighted the risk of the relocation impacting on IPB's service delivery. The resulting report stated that:

The relocation to Maitland could have a huge impact on the operational performance of the business. The scope of changes involved are so significant that it is almost inevitable that there will be a big impact on the level of service provided by IPB.¹

4.2 The report notes that if the operations of IPB are so disrupted through the transition that infringements are not issued within the statutory period of limitation, infringements will become "statute-barred" and revenue will be lost.

4.3 The areas where problems could arise, as identified by the report are:

- Reduction in staff productivity,
- Errors made by new staff,
- Errors caused by system error or failure, and
- Delays caused by disruptions from transition activities.

4.4 To counter these risks, the report stresses the importance of risk reduction and contingency strategies, a vital element of which is Transition (or Change Management) Planning. According to the report, the main features of the transition strategy identified by the IPB management team are that:

- IMPS is to be implemented at Parramatta and Maitland, and TPS is "shut-off" immediately to any new infringements, and
- Maitland start-up can be better managed, as Parramatta remains fully operational for a period.²

4.5 Mr Douse also referred to this aspect of the transition strategy in his evidence:

Mr DOUSE: ...The biggest backup in the overall plan was that we had Parramatta, we had an Infringement Processing Bureau that was working and it was planned to work in parallel with the Maitland facility for some time after the Maitland facility had been completed. The plan was that infringements issued under the old system would continue to be current during the statute live period of six months, from September until a least March 2004, and following that if required. There was capacity at Parramatta, which was backup capacity. These things do not happen overnight. If there was to be an expansion in the number of infringements, it would not expand hugely immediately; you would know that the extra numbers were coming.³

4.6 In his verbal evidence, the General Manager of Infrastructure and Processing Services within NSW Police, also provided details of the transition strategy:

Mr WOOD: As has been mentioned, we had an implementation and transition plan. It was based on the fact that the TPS system would operate at Parramatta and wind down over a 12-week period—or through that cycle—and that the new staff based at Maitland, who were trained solely on IMPS, would deal with all infringements that were processed from

¹ Review of IPB Relocation Program, Final Report by Cooper Consultants Pty Limited, section 4.10

² *ibid*, section 3.5

³ Transcript of Evidence 18/5/04, p 7

that date. So they would not be involved with the TPS system at all. We delayed the start date for Maitland until September to give us an extra month to ensure that we had all the training in place.⁴

- 4.7 Both Mr Douse and Mr Wood agreed that a vital part of the transition strategy was to maintain the Parramatta operation. However, while Mr Douse was of the view that Parramatta should remain operational throughout the “statute live” period of 6 months, Mr Wood thought that Parramatta should only remain operational for a 12-week period. As Mr Wood was the General Manager responsible for IPB at the time of the relocation, his approach was adopted.
- 4.8 It is understood from evidence that 12 weeks covers the life cycle for “clean” infringements (i.e. infringements where no manual intervention is required). Given that the bulk of the backlog on TPS were infringements that required manual intervention⁵ or in other words were not “clean”, it is unclear to the Committee why NSW Police felt that 12 weeks would be a sufficient backup period for Parramatta to remain operational. Discussions with IPB staff have indicated that infringements on TPS were still being processed in March 2003 which is about 6 months after the date of the relocation.

IMPLEMENTATION OF THE TRANSITION PLAN

- 4.9 The Committee took evidence from witnesses about the implementation of the transition plan. The IMPS Project Manager, Mr Rea made the following comments:

Mr REA: There was a transition plan put into place. As I understand it I do not think that business plan was actually resourced.

Mr STEVE WHAN: The committee received evidence this morning that the transition plan was designed to keep the old processing system running for six months. Was that not adequate or did it not happen?

Mr REA: No, that was adequate but it did not happen, in effect. The plan was to allow traffic penalties to wind down with a sufficient number of staff as IMPS wound up. That did not happen and we had to transfer a number of infringements from the old traffic penalties section and load them into the new IMPS system.

Mr STEVE WHAN: You said there was an immediate problem?

Mr REA: Yes. The theory was we had a new system with new staff trained in the new system and a new culture at the IPB, leaving the old behind, to look after the old. In effect, that did not happen. After we trained the IPB staff in the new system they had to sit back and be trained in the old system to deal with all the outstanding traffic penalty matters.

CHAIR: Was that because of the decision to close down Parramatta and not have the old staff deal with the old matters under the old system in the old place?

Mr REA: I believe so.⁶

- 4.10 Mr Wood made the following comments about the importance of the transition plan:

CHAIR: What do you see as the major causes of the problems that have led to this inquiry?

⁴ Transcript of Evidence 18/5/04, p 19

⁵ *ibid*, p 13

⁶ Transcript of Evidence 18/5/04, p 14

Mr WOOD: ...The evidence received by the Committee has shown that the decision not to proceed with the transition plan had a major impact on the operational ability of IPB throughout the transition period.⁷

- 4.11 The Business Development Manager within IPB, Mr Michael Roelandts, described the situation within IPB at the time of the relocation:

Mr ROELANDTS: ...The workload was substantial inasmuch as the original intention was always that the old traffic penalty system, the TPS system, would be allowed to run its race at Parramatta and it would not be a matter of back capturing information from that system to go into the new system.

Basically, let the old legacy system run its course, let the infringements in that process go through their life cycle, let the new IMPS system start from scratch and all the new staff who had been recruited would be trained in the new system. Unfortunately, pressure was brought to bear by senior management to immediately effect the staff reductions, which were to be expected once IMPS was fully implemented which meant that we no longer had the opportunity to allow TPS to run its course. We had to take that backlog of work with us to Maitland. We then had a situation where a whole new staff were confronted with having to learn two systems.⁸

- 4.12 The transition plan was therefore not implemented. All parties agree that this had a major impact on the ability of IPB to meet its service delivery obligations after the relocation.

WHY THE TRANSITION PLAN WAS NOT IMPLEMENTED

- 4.13 The Committee has received conflicting evidence about why the transition plan was not implemented. The IMPS Project Manager, who was also an observer on the Relocation Project Team, made the following comments:

Mr STEVE WHAN: On what basis did the transition plan not happen? Why did the six months transition period not happen in the way it was planned?

Mr REA: I am not aware. I have no knowledge of that.⁹

- 4.14 It seems extraordinary to the Committee that the Project Manager for the implementation of IMPS, who was also an observer on the Relocation Project Team, has no knowledge of why the transition plan was not implemented. Given the impact of this decision on the systems and operational ability of IPB, the Committee expected that Mr Rea would have been extensively consulted prior to the decision being made. The fact that the IMPS Project Manager had no knowledge of why the transition plan was abandoned indicates that the process referred to in Recommendation 4 of the "Findings and Recommendations" did not occur.

- 4.15 The General Manager within NSW Police, Mr Wood, who was also the Chairman of the IMPS and Relocation Steering Committees, made the following comments on why the transition plan was not implemented:

Mr WOOD: ...We encountered a difficulty when we found out that the contractor that batches and loads the infringements had put a large number of infringements on both the TPS and the IMPS systems. That meant that if a member of the public rang up about their infringement it might have been dealt with by someone at Parramatta but it was still running live on IMPS. The two systems would not talk to each other. So we then

⁷ *ibid*, p 19

⁸ Transcript of Evidence 19/5/04, p 1

⁹ Transcript of Evidence 18/5/04, p 14

had to make a decision to train the people at Maitland to deal with all those inquiries otherwise we could not keep control over those infringements.

Mr PAUL McLEAY: I thought the last witness said that a conscious decision was made to load them onto both systems.

Mr WOOD: I asked why that happened and the advice was that the decision was made to load them on both in the end because we could not have two systems operating at the same time and not talking to each other. But the initial transition plan was that until the Friday that we operated at Parramatta all infringements would be dealt with on TPS through their life cycle by staff who remained at Parramatta. On the Monday any infringements that came in would be put on the IMPS system and dealt with by staff based at Maitland, who had been trained to do that. We subsequently found out some time down the track that we had infringements on both systems. So we would be dealing with an infringement on one system, the client would think, "I've dealt with that", the system would be updated and the next minute they would get the next letter in the cycle.

Mr RICHARD TORBAY: The two systems were not speaking to each other.

Mr WOOD: That is right.¹⁰

4.16 From this evidence, the Committee understands Mr Wood to be saying that the transition plan was abandoned because infringement data was mistakenly loaded onto two separate systems that were in separate geographical locations (i.e. TPS at Parramatta, and IMPS at Maitland), and the systems could not communicate with each other. As a result, there was risk that infringements could be processed twice, once by staff at Parramatta on TPS, and again by staff at Maitland on IMPS.

4.17 The Committee asked Mr Wood when it was that he first became aware of the system problems:

Ms GLADYS BEREJKLIAN: When was it common knowledge that the two systems were not able to communicate with each other?

Mr WOOD: It was some time because we found the other problem later when IMPS was being tested for volume. It was able to run its batch overnight but because of the number of errors IMPS would not complete its run. Unfortunately we found that out after the event—some 17 days elapsed with no infringements issued and then all those infringements were issued at once. We had a massive volume of calls as a result of those infringements going out. When we started to look at why— people were saying, "I've talked to someone and dealt with this infringement; why am I getting more letters?"—we discovered that we had two systems operating.

Mr STEVE WHAN: How did the error occur? Why did they load the information when it was not meant to be loaded on the new system? Why were the contractors' instructions not specific enough to ensure that that did not happen?

Mr WOOD: The advice I received was that someone—I have never been able to find out who—was unsure whether it was on one system or the other, so he or she put it on the IMPS.¹¹

4.18 It is the Committee's understanding that the two systems, TPS and IMPS, were never meant to be able to "communicate with each other". The original intention was that TPS would process infringements received until the date of the relocation, while IMPS was to process infringements received from day one in Maitland onwards. As IMPS was not designed to communicate with TPS, the Committee is perplexed with why it

¹⁰ Transcript of Evidence 18/5/04, p 19

¹¹ Transcript of Evidence 18/5/04, p 20

took Mr Wood “some time” to determine that the two systems were not able to communicate with each other.

- 4.19 The Committee is also puzzled that the General Manager within NSW Police who was “responsible for the relocation of IPB to Maitland” does not know who was responsible or how it came about that information on TPS was loaded onto IMPS without Senior Management’s approval. This is of especial concern as Mr Wood has indicated that this was a major reason for the problems that arose within IPB, which culminated in the loss of up to \$41 million. The Committee would have expected NSW Police to have fully investigated how this could occur and who was responsible. If a contractor was involved, which Mr Wood suggests may have been the case, the NSW Government could be entitled to some form of financial compensation.

RECOMMENDATION: NSW Police or OSR should investigate whether the duplication of infringement data resulted from a contractor acting outside the scope of their contract with NSW Police. If the contractor did act outside the scope of their contract, the NSW Government should consider seeking financial compensation for the losses subsequently incurred.

- 4.20 The Committee also finds it extraordinary that the Project Manager for the implementation of IMPS, Mr Rea, was not aware of these occurrences. In evidence, Mr Rea said that he had “no knowledge” of why the transition plan was not implemented. As the Project Manager for the implementation of IMPS, the Committee would have expected that he would have had a very thorough knowledge of these circumstances.
- 4.21 The fact that the duplication of information occurred without Senior Management’s prior approval or knowledge, and as indicated below, some months passed before it was detected implies that the internal control structure within NSW Police was not operating effectively.
- 4.22 If a contractor was involved, it also implies that NSW Police were not following the procedures required by Premier’s Department Memorandum 2000-47 “Guidelines for the Engagement and Use of Consultants”. These Guidelines point out that:
- The use of consultants does not abrogate the agency’s responsibility for successful outcomes of projects. Consultants do not provide risk avoidance for an agency if projects are not successful. Effective oversight of consultancy projects is essential.¹²
- 4.23 Treasury’s “Risk Management and Internal Control Toolkit”, defines internal control as:
- A process, effected by an organisation’s Board of Directors, Chief Executive Officer, senior management and other employees, designed to provide reasonable assurance regarding the achievement of the organisation’s objectives.¹³
- 4.24 This process is especially important when agencies are dealing with complex issues or projects, such as the relocation of IPB to Maitland and simultaneous introduction of a new computer system.

¹² NSW Premier’s Department “Guideline for the engagement and use of consultants”, August 2000, p 13

¹³ NSW Treasury Policy Paper, TPP 97- 3 “Risk Management and Internal Control Toolkit”, p 8

4.25 An effective system of internal control is required by section 11 of the *Public Finance and Audit Act 1983*.

RECOMMENDATION: Material breaches of internal control should be fully investigated, so that Senior Management can have reasonable assurance that the internal control structure is operating effectively.

4.26 Mr Wood further discussed the reason why the transition plan was abandoned:

MR WOOD: From day one in Maitland we did not operate in a normal environment. We had this backlog and two systems running...

Mr STEVE WHAN: You are saying that a software glitch, or something that needed to be sorted out, caused a huge backlog as well as the data loading error.

MR WOOD: As well as 17 days of no infringements being issued.

Mr STEVE WHAN: Why did it take 17 days to pick that up?

MR WOOD: We wrongly took the view that if no-one told us there was a problem that was the situation. I spoke to management consistently. Unfortunately, I had to go up there myself to find out about many of these issues.

Mr STEVE WHAN: Was it not a conscious decision to depart from the business plan and not to have the six-month transition period? Was it forced on you by these errors?

MR WOOD: That is correct. Our transitional plan was that the old IPB staff who did not want to relocate to Maitland would be retained at Parramatta to deal with the wrapping up of the TPS. Our strategy for the new staff was to train them only on the IMPS because we wanted them to know only the new system.¹⁴

4.27 In evidence, Mr Wood has said that from “day one” IPB in Maitland was faced with two separate systems (ie TPS and IMPS), as well as a backlog of infringements. Mr Wood also said that:

MR WOOD: ...the initial transition plan was that until the Friday that we operated at Parramatta all infringements would be dealt with on TPS through their life cycle by staff who remained at Parramatta. On the Monday any infringements that came in would be put on the IMPS system and dealt with by staff based at Maitland, who had been trained to do that.¹⁵

4.28 Taken together, this evidence suggests that the transition plan had been abandoned prior to day 1. If this was not the case, then at “day 1” Maitland would have only been dealing with a single system (i.e. IMPS). However, Mr Wood has given evidence that the decision to abandon the transition plan was forced upon Senior Management, because the two systems (ie IMPS and TPS) were not talking to each other, and this was not detected until “some time” after the relocation. The evidence given by Mr Wood therefore seems contradictory on this aspect.

4.29 The Committee asked Mr Roelandts, the Business Development Manager within IPB at the time of the relocation, about the timing of the duplication of infringement data referred to by Mr Wood:

Mr STEVE WHAN: We heard evidence yesterday suggesting that an error had been made in loading the data, that data from the old system had been loaded into the new system and that the decision was made to immediately move over to the new system entirely so

¹⁴ Transcript of Evidence 18/5/04, p 20, 21

¹⁵ Transcript of Evidence 18/5/04, p 19

that there was no duplication of effort. Do you understand that to be the case, or was that explained to staff when that occurred?

Mr ROELANDTS: I would say that is not totally correct inasmuch as when we were trying to operate both systems—bear in mind that the old TPS system was a very labour-intensive system; it was a system that was in excess of 15 years old, and the IMPS system was a far more automated process—we found that trying to run the two systems in parallel with the reduced staff, albeit a totally new staff, was becoming far more cumbersome. There was a conscious decision taken then to attempt to be able to process some of the payments, and some of the statutory declaration nominations that were received for some of the older matters and run them through the automated system in the IMPS. So the decision was taken to try to transfer some of those matters that had not been finalised from the old system and put them into the new system to take advantage of the automation.

Mr STEVE WHAN: When was that decision taken?

Mr ROELANDTS: The exact date, I am not sure, but it was probably about December 2002.

Mr STEVE WHAN: It is important for me to clarify this. Are you saying that the decision was taken to close down Parramatta and remove those staff before the decision was made to try to process them on IMPS?

Mr ROELANDTS: Yes.¹⁶

- 4.30 As a result of the conflicting evidence, the Committee cannot conclude why the transition plan was abandoned. However, all parties agree that the decision not to proceed with the transition plan was a major cause of the problems experienced by IPB. The implementation of an effective transition plan would have prevented IPB's service delivery from being impacted by the relocation and IMPS implementation.
- 4.31 An effective transition process was especially important for IPB given that:
- Any impact on IPB's capacity to deliver services was likely to result in infringements becoming statute barred,
 - The Maitland building was only constructed to accommodate a maximum of 150 staff at any one time,
 - Around 90% of the staff within the IPB at Maitland were new,
 - IMPS was a totally new system, and there were likely to be teething problems,
 - IMPS had not been implemented as planned in the business case, and
 - The trend was that infringements were increasing each year.
- 4.32 Any decision not to implement the transition plan, or even to amend the plan, should have been preceded by a full analysis of the implications of that decision. In the case of IPB, the decision to transfer the backlog of infringements to Maitland without supplying any additional resources meant that the existing resources would have to be significantly more productive than initially expected, or revenue would be lost. The implications of the decision were therefore very significant.
- 4.33 When evaluating whether to abandon the transition plan, Senior Management should have performed an appropriate risk identification and management analysis, along the lines of that set out in NSW Treasury's Total Asset Management Manual. An appropriate Risk Management process provides a framework for decision makers to

¹⁶ Transcript of Evidence 19/5/04 (Mr Roelandts), p 3

consider the implications (or risks) of their decisions, and how best to manage those risks. The Committee received evidence from the IMPS Project Manager, Mr Rea, that a Risk Identification and Management process was in place, but that it was not updated for the decision to abandon the transition plan. The fact that the IMPS Project Manager had no knowledge of why the transition plan was not implemented shows that Risk Management Planning was ineffective. The Project Management teams should have been an integral part of the Risk Management process.

- 4.34 The requirement for an adequate risk identification and management process remains, even if an unexpected event occurs that makes the transition plan ineffective, such as the situation where “someone” mistakenly duplicates infringement information on two separate systems. It seems obvious to the Committee that the decision to dramatically increase the workload of IPB at Maitland would need to be carefully managed (perhaps through additional resources), or the ability of IPB to deliver services would be impacted.
- 4.35 Reports by DPWS¹⁷ and Cooper Consultants Pty Limited¹⁸ both highlighted various risks associated with the Relocation and IMPS implementation projects. They also stressed the need for adequate transition planning. Given that NSW Police Senior Management had been clearly informed of the importance of appropriate transition planning on a number of occasions, the Committee is very concerned with the failure of NSW Police to implement the transition plan.

¹⁷ Feasibility Study of Relocation of IPB by DPWS, p13-14

¹⁸ Review of IPB Relocation Program by Cooper Consultants Pty Limited

Chapter Five - After the Relocation

- 5.1 As noted in Chapter Two, most of the \$41 million infringements became statute barred in the period April to June of 2003. This reflects the end of the 6-month statutory period of limitation, after infringement processing commenced on IMPS in September 2002.
- 5.2 It is clear to the Committee that, after transferring responsibility for the backlog of infringements on TPS to Maitland (i.e. after abandoning the transition plan), Senior Management needed to carefully manage the operations of IPB after the relocation to ensure that service delivery was not impacted.

ACTIONS TAKEN BY SENIOR MANAGEMENT AFTER THE RELOCATION

- 5.3 The Business Development Manager within IPB at the time of the relocation, Mr Roelandts, made the following comments about the operations of IPB immediately after the relocation:
- Mr ROELANDTS:** ...We were behind the eight ball. We incurred about two months' worth of backlog and there was a month's learning. We were three months behind at the beginning. It is very hard to recover that when the workload is increasing day in and day out.¹
- 5.4 This section reviews the actions taken by Senior Management to manage the problems within IPB in the months following the relocation.
- 5.5 When commenting on the actions taken by Senior Management in this period, Mr Roelandts gave the following evidence:
- Mr ROELANDTS:**...no positive decisions were taken, no assistance was provided...
- CHAIR:** Are you saying that senior management did not have strategies to minimise the impact of the relocation?
- Mr ROELANDTS:** They were certainly were not evident in response to any briefings that we were providing about the arrears, the growing backlog situation and the significant ramifications in terms of lost revenue, statute-barred matters and possible litigation with our commercial clients—councils and so on—because of their loss of revenue.
- Mr ROELANDTS:** ...I first started raising the issues in October 2002. They were identified again in a document prepared by Rod Wilmore² in November 2002. If we did not get additional resources or money for overtime revenue would be lost because we could not process infringements in a timely manner. Verbal presentations were given to senior management and management services in late November 2002 and regular reporting following that.³
- 5.6 Mr Roelandts also made the following comments in a submission to the inquiry:
- I am aware that numerous attempts were made by the Director at the time to secure additional resources, to utilise displaced experienced staff at Parramatta and to obtain funding for overtime for staff at Maitland.

¹ Transcript of Evidence 19/5/04 (Mr Roelandts), p 5

² Mr Wilmore was the Project Manager for the Relocation of the IPB to Maitland. Due to health reasons, Mr Wilmore was not available to give evidence to the Committee.

³ Transcript of Evidence 19/5/04 (Mr Roelandts), p 3, 5

All requests were declined...⁴

- 5.7 As part of his submission to the inquiry, Mr Roelandts attached documentation, in the form of copies of emails and briefing papers, to support these statements.
- 5.8 This evidence conflicts with comments made by the General Manager of Infrastructure and Processing Services within NSW Police, Mr Wood:
- MR WOOD:** ...We recruited a large number of new people to Maitland, and they were very good. They were highly motivated and highly skilled. They were concerned about how we could deal with the backlog. As mentioned, we came up with strategies, including having different shifts. I talked to them about additional resources and asked what they needed. They said that they probably did not want new people because they would have to be trained and that would take longer than doing more overtime. We set up a task force to deal with specific problems, such as statute declaration queues that were about to go statute barred. We took a manager off line to deal with that. We had full co-operation from the staff. We had a joint consultative committee that met every month. They were positive about what we were doing and the work they were doing. The indicators were that if we ever got back to a normal business arrangement we would be able to cope with the volume.⁵
- 5.9 The evidence given by Mr Wood presents a vastly different picture to that of Mr Roelandts. Mr Wood's evidence is that Senior Management within NSW Police did not provide additional staff on the basis of feedback from within IPB. Staff within IPB preferred to address the backlog through existing staff working overtime, rather than employing new staff. In contrast, Mr Roelandts' evidence is that IPB management made frequent requests to Senior Management for additional staff as well as funding for overtime, and that these requests were refused. Mr Roelandts further stated that he saw no evidence of strategies being put in place by Senior Management to minimise the impact of the relocation.
- 5.10 The Committee is not in a position to be able to resolve inconsistencies in the evidence presented to it. History has shown, however, that problems did emerge within IPB, with the result that up to \$41 million in fines became statute barred, and this could only have occurred because Senior Management did not take effective action to manage IPB's business continuity throughout and following the relocation.
- 5.11 It is known that upon assuming control, OSR:
- Enhanced IMPS to increase process efficiency, and enable the introduction of a second shift,
 - Immediately increased staff to a peak of 309 full-time positions, through the introduction of a second shift,
 - Modified the accommodation to be more open plan to enable the bureau to house more staff, and
 - Are in the process of or have already implemented a number of the actions planned in the original business case.
- 5.12 Through these actions, combined with the impact of the statutory period of limitation increasing to 1 year, OSR has:

⁴ Extract of supplementary submission to the inquiry by Mr Roelandts

⁵ Transcript of Evidence 18/5/04, p 22

- Reduced the backlog from over 400,000 items at 1 October 2003 (when they assumed control), to about 82,000 as at 18 May 2004, and
 - Reduced the percentage of fines that were statute barred from 1.6% and 5.13% in October and November 2003 respectively to about 0.3% in March 2004.
- 5.13 Mr Roelandts made the following comments about the actions of OSR after it assumed control of IPB:
- Mr ROELANDTS:** ...In effect, OSR took over responsibility much earlier—in about July or August....As soon as it became aware of the issues, action was taken immediately. It was action we had been calling for from the senior executives of NSW Police management services for the best part of 12 months.⁶
- 5.14 The Committee is very concerned with the seeming inaction of Senior Management of NSW Police during the period following the relocation. The reason given by Mr Wood for not increasing the number of staff was that feedback from within IPB was that it “probably did not want new people”, and that “if we ever got back to a normal business arrangement we would be able to cope with the volume”. History has shown that this was not a correct assessment of the situation within IPB. As at 1 October 2003, OSR assessed that IPB should have had 239 positions. After taking into account the backlog and other operational challenges, OSR increased the number of positions to 309. This is very different to the 161 positions that NSW Police maintained in IPB at that time.
- 5.15 The Committee is specifically concerned that NSW Police did not manage the business continuity of IPB by taking actions similar to that of OSR.
- 5.16 The Committee is also very concerned with comments by Mr Roelandts that neither the Minister for Police, or the Ministry for Police knew of the extent of problems within IPB until a meeting held in August 2003. Given the extent of the revenue losses, the Committee would have thought that Senior Management within NSW Police would have kept the Minister for Police, and the Ministry for Police, apprised of the situation. It can only be assumed that Senior Management did not inform the Minister or the Ministry for Police because they did not know the extent of the problems. This is discussed further below.

WHY DID SENIOR MANAGEMENT NOT MANAGE IPB'S BUSINESS CONTINUITY MORE PROACTIVELY?

- 5.17 The Committee received evidence from Mr Roelandts that Senior Management within NSW Police were surprised at the extent of revenue that had become statute barred in the financial year ending 2002-2003, when the final figure was released in August 2003. This implies either that the level of management reporting between IPB and Senior Management was deficient, or if it was adequate, that Senior Management did not understand the information that it was receiving.
- 5.18 The Committee is of the view that it should have been obvious to Senior Management in late 2002 that without further resources being made available, significant amounts of revenue were in danger of becoming statute barred in 2002-2003.

⁶ Transcript of Evidence 19/5/04 (Mr Roelandts), p 6

5.19 A key performance indicator of the state of IPB's processing ability at any point in time is the size and trend in the backlog. The chart in Chapter 2 "Number of Work Queue Items" shows that the number of items on the backlog increased from about 130,000 items in November 2002 until peaking in April 2003 at over 530,000 items. Given that the backlog was increasing so significantly in this period, and that infringements at the time had a statutory period of limitation of only 6-months, the Committee is very concerned that Senior Management was surprised at the extent of 2002-2003 statute barred revenue losses in August 2003.

5.20 The Committee asked OSR about the quality of the IPB Management Reporting at 1 October 2003:

CHAIR: I would like to get some evidence on management reporting and your view of some of the problems that existed there. When you took over did you find the management reporting that existed at the time you took control to be adequate, especially in relation to the state of the backlog and the revenue going statute barred?

Mr ROBERTSON: First, IMPS has the capacity to provide good reporting and to quickly and closely identify work flows, peaks, troughs or other movements.

CHAIR: Did you find it?

Mr ROBERTSON: Within about three days of beginning his due diligence exercise at the IPB Mr Brown was able to identify the extent of the problem. The reporting facility was there. I am not aware of the level of reporting previously provided from IPB to the higher levels of NSW Police.

CHAIR: Have you kept the original reporting mechanisms?

Mr ROBERTSON: No. We have made far more use of the reporting ability of the RAPS, coupled with far more active management reporting.

CHAIR: Does that mean it is significantly changed?

Mr ROBERTSON: Yes. I can provide a copy of the last monthly report, which is the combination of weekly data. It provides an excellent overview of the state of the nation.⁷

5.21 These comments by OSR, combined with the evidence from Mr Roelandts that Senior Management were surprised of the extent of statute barred revenue losses for 2002-2003, suggest that Senior Management was not receiving appropriate management reports on the state of IPB's operations.

5.22 The Committee is of the view that Senior Management should have established appropriate management reporting to ensure that it was fully informed of the state of play within IPB on a timely basis. This should have included both year-to-date as well as monthly performance information.

5.23 The fact that management reporting was not adequate may partly explain why Senior Management took so long to inform the Minister and the Ministry for Police of the extent of statute-barred revenue losses, and also why it responded so passively to the problems that emerged within IPB.

RECOMMENDATION: Senior Management needs to ensure that it has clear, concise and timely management reports that demonstrate the operational performance of its agencies. Senior Management must also ensure that it fully understands the content of these reports.

⁷ Transcript of Evidence 19/5/04, p 9

- 5.24 Although the evidence indicates that Senior Management was not receiving appropriate management reports, evidence has been received that it was being informed of the growing problems within IPB through other means:

CHAIR: When did staff become aware of the significant problems with the processing of backlogs after the relocation? When was the information first passed to senior management and how was it passed on?

Mr ROELANDTS: We did not rely upon preparing a briefing and sending it off in the mail and hoping it would hit the target. The briefings were reinforced by telephone calls, in-person conversations and meetings at Parramatta, Sydney and Maitland, to drive the message home. I first started raising the issues in October 2002. They were identified again in a document prepared by Rod Wilmore in November 2002. If we did not get additional resources or money for overtime revenue would be lost because we could not process infringements in a timely manner. Verbal presentations were given to senior management and management services in late November 2002 and regular reporting following that.

There was media coverage in the *Newcastle Herald* on several occasions, starting on 21 February, and meetings were held in Maitland on 27 February 2003. The regular reporting continued in whatever format the senior management required. In my submission to the committee I mentioned that the format changed over the months at the request of the people who wanted the reports. Further meetings were held in August 2003. My 5 August briefing identified the \$35 million in lost revenue. Obviously things started to get a little more active after that.

CHAIR: You have given evidence of your reporting to senior management. Was there any regular reporting back to the staff and the managers on the ground about the backlog situation and the value of infringements that had become statute barred?

Mr ROELANDTS: We did not see any of the briefings returned. There were no annotations from the senior executive management service. No copies of submissions originally earmarked to go to the commissioner or the Minister were returned. We received none of that documentation back.⁸

- 5.25 Another reason for the inaction by NSW Police Senior Management in the months following the relocation is that it did not believe that additional resources were warranted in this period. Mr Wood gave the following evidence:

MR WOOD: ...From day one we did not have a normal operating environment. It was hard to say that 150 people were not enough. We implemented strategies to address the backlog and then looked at the numbers to establish whether they were sufficient.⁹

- 5.26 Mr Wood also said that:

MR WOOD: ...The information we received through the various steering committees and the consultants was that the system was on track and that it could cope with the volume. ...The indicators were that if we ever got back to a normal business arrangement we would be able to cope with the volume.¹⁰

- 5.27 The Committee is very concerned that Senior Management within NSW Police could have had an impression that was so far removed from reality for such a long time. The evidence suggests that Senior Management maintained this opinion in the months following the relocation, through to when OSR took control of IPB. In fact, the

⁸ Transcript of Evidence 19/5/04, p 5

⁹ Transcript of Evidence 18/5/04, p 20

¹⁰ *ibid*, p 22

evidence presented by Mr Wood seems to suggest that it was still of the view that 150 staff should have been sufficient:

Mr PAUL McLEAY: After the go-live date everything was on track.

MR WOOD: The biggest challenge on go-live was ensuring that the IMPS was in place, the accommodation was ready and the roughly 100 new staff members were recruited and trained. We did all that. The problems occurred as a result of the other factors that I indicated.¹¹

5.28 The implication is that the problems did not result from inadequate staffing but, rather, because the transition plan was not implemented. However, the evidence received by the Committee strongly suggests that inadequate staffing was a major cause of the problems.

5.29 In evidence, Mr Wood also states that Senior Management was not able to supply additional resources:

Mr WOOD: There was no money...to do the system changes that were required to accommodate the hand-helds. So that was not my decision to make; that was the fact—that there was no money to make those changes. We continued to commence operations at Maitland, as was expected, with the 150 staff, and we talked to the staff.

Mr WOOD: ...There was certainly a very strong expectation that there would be only 150 people in Maitland.

CHAIR: That was all that the building was built for, so you would certainly hope that there would be no more than that.

Mr WOOD: Yes. At that time the NSW Police, like many other government agencies, was expected to make productivity savings. Our ability to provide more resources into Maitland in that context was not there.

Mr STEVE WHAN: You did not feel you were able to respond to changes?

Mr WOOD: We responded to changes as best we could within the resources that we had. That had to be our first call because the expectation was that we would be reducing our resources within the police, not increasing them...We did whatever we possibly could within the resources that we have available.¹²

5.30 The Committee interprets this evidence as saying that no funding was available to implement the “system changes” assumed in the business case, or to supply IPB with additional resources after the relocation. This is despite the additional unexpected impact of the transfer of the backlog of infringements on TPS, to Maitland.

5.31 The Committee asked Mr Wood whether he approached NSW Treasury for additional funding:

CHAIR: You were saying that alterations were made to institute funding constraints. Did you ever approach Treasury and say, “We need more funds because we have made changes to our initial business case”?

Mr WOOD: No. The only major alteration that I pursued was the hand-held issue, and why we were not able to implement hand-helds. We were advised that there was just no money for that and we should implement the arrangements as best we could.¹³

5.32 According to this evidence, Senior Management within NSW Police was operating under the assumption that no further funding was available to assist with the IPB

¹¹ *ibid*, p 22

¹² *ibid*, p 24

¹³ Transcript of Evidence 18/5/04, p 25

Relocation or IMPS implementation. However, they did not test the validity of this assumption by seeking additional funding from NSW Treasury to fully implement the business case or to assist with the transition process.

- 5.33 The Committee is extremely concerned that NSW Police was operating under the assumption that no additional funding was available, when this was probably not the case. Given that up to \$41 million in revenue became statute barred in the period following the relocation, a financial appraisal performed in accordance with NSW Treasury's Policy Paper TPP 97-4 "Guidelines for Financial Appraisal" would have resulted in a very strong case for NSW Treasury to supply additional funds.
- 5.34 Evidence received by the inquiry, is that neither the Minister for Police or the Ministry for Police was aware of the extent of the problems within IPB until August 2003. They were therefore obviously not involved in preparing a request to NSW Treasury for additional resources.

RECOMMENDATION: Agencies should not operate under the presumption that additional resources are unavailable for projects. Where additional funding is required the appropriate Minister should formally approach the Treasurer with a request for additional funding, supported by an updated business case and financial and economic appraisal prepared in accordance with NSW Treasury's Guidelines.

- 5.35 The Committee is also concerned with another conflict between Mr Wood's evidence, and other evidence received. In a submission to the inquiry, NSW Treasury informed the Committee that:

Treasury was not aware that the capacity of the system to handle hand held fine collection devices had been excluded from the planned scope of the project until around the time that IPB's functions were transferred to the Office of State Revenue.

- 5.36 This evidence is in direct conflict with Mr Wood's statement that he "pursued...the hand-held issue" with NSW Treasury, and was "advised that there was just no money for that and we should implement the arrangements as best we could" (refer paragraph 5.31).
- 5.37 Mr Wood summarised Senior Management's perception of their responsibility with regard to the relocation project:
- MR WOOD:** The brief I received was that we had to open Maitland in about August or September, which we did. We needed 150 staff in place. We had to have an IMP system which could do better work and which involved much less data entry than the TPS. That was put in place.¹⁴
- 5.38 The evidence suggests that Senior Management felt that its responsibility was to fulfil the "brief" at all costs regardless of the financial consequences. It is true that Senior Management fulfilled the requirements of this brief by employing 150 staff in Maitland. However history has since demonstrated that IPB needed significantly more than 150 staff.
- 5.39 The Committee has not received evidence on who gave this brief to Mr Wood, or in what circumstances it was given. However, the Committee is of the view that the focus of the brief is incorrect. A primary goal for the IPB relocation and IMPS Implementation projects should have been that IPB's service delivery was to remain unaffected throughout and after the relocation. By defining the projects so narrowly,

¹⁴ Transcript of Evidence 18/5/04, p 22

the brief gave Senior Management an incorrect view of what constituted a successful outcome for the relocation and IMPS implementation projects. The evidence suggests the decision making of Senior Management was adversely impacted.

RECOMMENDATION: The performance indicators for a successful project should include compliance with the requirements of central agencies and/or NSW Government Policy requirements, and the results of Quality Management and Benefits Realisation processes.

5.40 Mr Wood made the following comments on the project management and reporting structure for the IMPS and relocation projects, as part of a discussion on how best to oversight contractors:

Mr WOOD: I think in the future, based on what we needed to have but did not have, we had a project manager looking after IMPS, which was a full-time job, and that was delivered. But everyone else that was involved in this was doing it as part of their other job and I think that while a number of us at that time were getting other tasks to do—that is not an excuse—there was no-one you could say was full-time project managing all these things. But what you needed to do was rely on advice you received as opposed to if you were just doing that full time, in which case you would have more time to go out and talk to that contractor and say what you want.¹⁵

5.41 The Project Manager for the Relocation was not available to give evidence to the Committee. However, the above comments suggest that the Project Management role for the relocation was under resourced. The Committee agrees with the comment made by Mr Wood that a full time project manager would have proved more effective.

5.42 Documentation supplied by NSW Police show that there were various steering committees that were involved in the IMPS implementation and relocation projects. There does not however appear to have been a steering committee that had oversight of the entire process. As a result, there may also have been difficulties in coordinating information between all of the steering committees and individuals involved in the project and information blockages.

5.43 In its submission to the Committee, OSR suggested that future projects could be improved if:

Each major project was oversighted by a high-level agency steering committee.¹⁶

5.44 The Committee agrees with this recommendation. This is further considered in Chapter six below.

¹⁵ *ibid*, p 23

¹⁶ Extract from OSR submission, p 10

Chapter Six - NSW Government policies and guidelines

- 6.1 This chapter reviews the current central agency requirements and policy requirements applicable to relocations and the implementation of new computer systems, and considers whether they provide an adequate framework to prevent the problems within IPB from reoccurring.
- 6.2 The chapter also considers the suggestions received by witnesses on how to improve future projects.

CENTRAL AGENCY REQUIREMENTS AND GUIDANCE APPLICABLE TO RELOCATIONS

- 6.3 The Property and Venues Branch within NSW Treasury provided a submission that referred to the key steps an agency should perform when preparing for and performing a relocation. The steps identified were that:

- Each agency should ensure that any proposed accommodation changes support the agency's service delivery objectives. The proposal should be in line with the agency's overall Asset Strategy and in particular its Office Accommodation Strategy.¹
- The agency should prepare a facility plan to determine agency space needs at the time of occupation and looking as far forward as possible. When preparing the facility plan, agencies should refer to the Government Office Accommodation Reform Program, and the associated Government Office Accommodation Workspace Guidelines maintained by the Government Asset Management Committee (GAMC).

As part of the facility planning process, the agency should predict future changes in staff numbers, service delivery, information technology, etc to best determine space requirements over the term of the occupancy. Input should be obtained from staff, clients and other stakeholders (eg other government agencies). Realistically, it would be difficult for agencies to predict requirements beyond five years. Guidance on workforce planning is contained in the NSW Premier's Department publication "workforce planning: a guide".²

- After identifying the space needs, location and other building requirements through the facility planning process, agencies should investigate accommodation options. For larger projects, this would normally involve:
 - "Value Management" in accordance with guidance provided in the Total Asset Management Manual (TAM). The TAM defines value management as a:
 - ...structured analytical process for developing innovative, holistic solutions to complex problems.³

¹ Refer to the Government Asset Management Committee website www.gamc.nsw.gov.au/

² Available from the NSW Premier's Department website, at www.premiers.nsw.gov.au

³ Refer to the Value Management Tool contained in the TAM at www.gamc.nsw.gov.au/tam/

It uses a specific methodology, involves key stakeholders in a managed team approach, and is focused on achieving value added solutions.

- An “Economic Appraisal” should be prepared in accordance with the “NSW Government Guidelines For Economic Appraisal”.⁴
- A “Financial Appraisal” should be prepared in accordance with the “NSW Government Guidelines for Financial Appraisal”.⁵
- A business case should be prepared in accordance with the “Business Case Guidelines” issued by the NSW Premier’s Department.⁶ Where capital funding is required, NSW Treasury review the business case for the project prior to funding being approved.
- The project management group should review and sign-off on key decisions, including the facility plan and premises selection.⁷
- Adequate procurement planning should occur, and
- Risk Management Planning should be completed in accordance with the Risk Management Tool located on the GAMC website. The “Business Case Guidelines” issued by the NSW Premier’s Department, also requires this.

- Once the preferred strategy is identified and all necessary government approvals obtained, the agency would then approach the market to source the accommodation. When a building is selected the agency should review its facility plan to ensure it remains appropriate before moving on to the design brief.
- After the design is finalised, it would be tendered and constructed, and the agency would relocate at completion.
- It is recommended that the agency undertake a post occupancy evaluation six to 12 months after occupation to ensure that the premises are performing in line with initial expectations, and to identify any necessary adjustments.⁸

6.4 Agencies are required to prepare a facility plan for all office accommodation over 1,000m². For premises under 1,000m², agencies must still undertake workspace planning, assisted by the Government Office Accommodation Workspace Guidelines issued by the GAMC.

6.5 NSW Treasury engages the Department of Commerce to review agency facility plans for office accommodation to ensure that they are reasonable and comply with Government office accommodation policy. It is understood that this does not occur for “operational” accommodation facility plans.

6.6 In evidence, NSW Treasury stated that the IPB relocation was classified as an “operational” accommodation project during 1999, when NSW Police prepared the business case. An “operational” accommodation has specific space and layout

⁴ Located on the NSW Treasury website at www.treasury.nsw.gov.au/

⁵ *ibid*

⁶ Refer to the Premier’s website at <http://www.premiers.nsw.gov.au/>

⁷ Guidance provided in the Government Office Accommodation Workspace guidelines at <http://www.gamc.nsw.gov.au>

⁸ Refer to the Post Implementation review Tool on the GAMC website at <http://www.gamc.nsw.gov.au>. Information extracted from a submission prepared by the Property and Venues area within NSW Treasury.

requirements, such as a Police Station or a Hospital. Policies that are specific to “office” accommodation”, do not apply to “operational” accommodation projects. As a result of this distinction, the facility plan for the Maitland building was not reviewed by the Department of Commerce (then called the Department of Public Works Services).

- 6.7 In evidence, NSW Treasury indicated that the IPB relocation was not caught by the guidelines at the time, but should have been. Despite being classified as an “operational” accommodation, the IPB Building at Maitland was to be used for “office” accommodation.⁹
- 6.8 In its submission, NSW Treasury indicated that the GAMC has since changed the definition of “office accommodation” to relate to the type of building, rather than use of the building. As a result, regardless of the proposed use of the premises (e.g. Police Station) if the premises can be used as office accommodation, the office accommodation policies must be adhered to. This means that if the IPB was to relocate to Maitland today, the office accommodation policies, including the review by the Department of Commerce of the facility plan, would apply. The Committee is pleased that the requirements have been tightened in this area.
- 6.9 Despite the distinction between office and operational accommodation, NSW Treasury requires all agencies to apply Total Asset Management principles in relation to major infrastructure investment decisions.
- 6.10 In its submission, NSW Treasury commented on whether there would be benefits in central agencies being more involved in operational accommodation relocations:

There are adequate mandatory requirements in place, together with detailed guidelines (TAM, Workspace Guidelines etc) to assist agencies in planning and implementing office accommodation and other property projects. The key issue is ensuring that agencies comply with requirements.

- 6.11 Following on from this comment, the Committee asked NSW Treasury whether there were problems with agency non compliance:

Mr CAMPBELL: I would not say that there was a big problem with non-compliance. The policies are there to ensure that agencies comply. Every now and then you might get an agency that is not aware of the requirements. But it is fairly rare. We are usually onto them fairly quickly and we bring them back in line.

Mr TORBAY: So it is a minor communication issue?

Mr CAMPBELL: Yes. When there is a turnover of personnel in agencies they might not be aware of the policies. So it is a matter of regularly making them aware of those policies.

DEPUTY-CHAIR: What kinds of issues are they not complying with? Might it be the standard square metres required for each person?

Mr CAMPBELL: It relates mainly to the sign-off processes—getting facility plans checked, or getting approvals before going into the market to ensure that there is not existing vacant space in which to put them. It is fairly rare. It might happen once or twice a year.¹⁰

⁹ Transcript of Evidence 18/5/04, p 36

¹⁰ Transcript of Evidence 18/5/04, p 33

ASSESSMENT OF THE CURRENT SYSTEM FOR RELOCATIONS

- 6.12 The view of NSW Treasury is that current central agency and NSW Government policy requirements applicable to relocations are adequate for both operational and office accommodation.
- 6.13 The Committee agrees that if NSW Police had complied with the current mandatory requirements and guidelines applicable to relocations, and Information and Communications Technology (ICT) projects, the problems that emerged within IPB would not have occurred. However, the Committee is of the view that the system for relocations can be improved in some respects.
- 6.14 The mandatory requirements, guidelines and NSW Government Policy applicable to relocations are controlled by and located within, various different agencies including NSW Treasury, the Department of Commerce and the NSW Premier's Department. Discussions have indicated that as there are various central agencies involved, it can be difficult for agencies to fully understand the processes they should perform when preparing for and performing relocations, and the extent of guidance that is available to assist them. The Committee is of the view that agencies would benefit if the requirements and guidance available were summarised in a single document provided by a central agency. As NSW Treasury currently manages many of these processes, it is the appropriate body at the moment.

RECOMMENDATION: NSW Treasury produce a single document that:

- Lists the steps agencies should follow when planning for and performing operational and office relocations, from the beginning to the end of the process,
- Lists the source of the requirements or guidance applicable to each step (e.g. the appropriate section of the Total Asset Manual, or Guideline within the NSW Premier's Department),
- Identifies the central agency available to assist agencies with each step, and
- Distinguishes between office and operational relocations.

- 6.15 A significant problem with the IPB relocation was that the business case and the documents that flowed from them were not updated for changing circumstances. While various guides exist on how to develop business cases and the associated plans, the Committee is of the view that they do not sufficiently emphasise the need for these documents to be maintained as current documents. This is a significant risk for projects that run over a number of years, that the Committee feels should be specifically addressed in the guidance to help prevent similar problems from recurring in the future.

RECOMMENDATION: Relevant central agencies should review the government policies and guidelines under their control to ensure that sufficient emphasis is given to the importance of agencies maintaining business cases and the documents that flow from them as current, realistic documents.

CENTRAL AGENCY REQUIREMENTS AND GUIDANCE APPLICABLE TO THE IMPLEMENTATION OF COMPUTER SYSTEMS

- 6.16 In a submission to the inquiry, the Office of Information and Communications Technology (OITC) of the Department of Commerce summarised key government policies and guidelines relevant to new Information and Communications Technology (ICT) projects. The key components included:
- In 1997 Cabinet endorsed “The Information Management and Technology Blueprint for NSW – A Well connected Future, as the strategic framework for the use and management of Information and Communications Technology (ICT) resources by NSW agencies,
 - From October 1997 onwards, all General Government budget dependent agencies (excluding State Owned Corporations (SOC) and Public Trading Enterprises (PTE)) requiring budget funding to implement new ICT projects costing \$500,000 or more were directed by the Treasurer to prepare and forward business cases for new ICT projects to the OITC for assessment. Agencies are advised of this requirement via an annual NSW Treasury Circular.
 - With the introduction of the Shared Corporate Services Strategy, the requirement in the bullet point above was extended from 2002 onwards to include non-budget dependent agencies, excluding SOCs and PTEs.
 - All agencies preparing business cases for new ICT projects are required to prepare a detailed business case in accordance with the OICT Guidelines on the following:
 - Business Case Development,
 - Benefits Realisation,
 - Benefits Management Plan,
 - Project Risk Management,
 - Project management, and
 - Change Management.
 - Business cases are assessed by OICT to ensure their alignment and consistency with wider government policy priorities, agency business objectives and service delivery outcomes, the capacity of the agency to undertake the project and the suitability of the selected technology directions.
 - OICT’s assessment recommendations are forwarded to NSW Treasury, and are considered by the Budget Committee of Cabinet along with all other funding requests as part of the annual budget process.
 - In 2003, the Treasurer wrote to all Ministers and Chairs of SOCs advising them that they will be required to report each quarter on the progress of all large ICT projects (i.e. projects over \$10 million) to OICT. This requirement applies to all agencies (including SOCs) commencing large ICT projects from 1 May 2003. Agencies are also required to publish extracts from the original approved business case on their website and in annual and half yearly reports.

- The Treasurer's letter also mandated the adoption and use of the OICT Guidelines by all agencies including SOCs.¹¹
- 6.17 The Committee is of the view that if the IMPS implementation was to occur today, and the above procedures were complied with, the problems that emerged within IPB would not have occurred. However, it could also be argued that if NSW Police complied with the government policies and guidelines that existed during 1999-2000, the problems would also probably not have occurred. This reflects the Committee's belief that the major cause of the problems that emerged within IPB was poor decision-making and management practices by NSW Police rather than deficiencies in the current system.
- 6.18 One way that central agencies such as NSW Treasury could help prevent problems, such as those that emerged within the IPB from occurring, is for it to become more actively involved in major projects. The Treasurer's decision to introduce quarterly reporting of ICT projects above \$10 million should assist in this regard.
- 6.19 The Committee is concerned that the requirement to report quarterly will not capture all significant projects if only applicable to ICT projects that involve capital funding of over \$10 million. For example, because the IPB administers over \$350 million in revenue, any project that impacts on their ability to deliver services has the potential to result in significant financial loss, especially when the statutory period of limitation for fines is considered. To capture projects that may have a relatively low initial capital outlay but that could still result in a significant financial loss to the state, the Committee suggests that the quarterly reporting requirement also apply to projects NSW Treasury or OICT assess as being high risk.
- 6.20 Examples of ICT projects that could be high risk include:
- Projects that if not appropriately implemented, may have the potential to significantly impact on the ability of an agency or its clients to deliver key services,
 - Projects that impact on systems used to administer high volumes or dollar values of transactions,
 - Projects that are especially complex or specialised,
 - Where the results of the economic or financial appraisals are highly sensitive to movements in key assumptions, or
 - Projects administered by agencies that do not have a good track record on successful delivery of projects.

RECOMMENDATION: NSW Treasury extend the requirement for quarterly reporting of ICT Projects, to those that are assessed by NSW Treasury or OICT as being of high risk. This would capture projects that may involve a low initial capital outlay (i.e. be less than \$10 million) but that, if not properly implemented, could have a significant impact on the ability of the agency to deliver key services.

- 6.21 The recommendation above also applies to government policies and guidelines relevant to ICT related projects.

¹¹ Extracted from a submission provided by the Office of Information and Communications.

GENERAL COMMENTS ON CURRENT REQUIREMENTS

- 6.22 Chapter 5 noted that the Budget Committee of Cabinet approves capital grants on the basis of submitted business cases. To ensure that this approval remains valid the Committee recommended that agencies be required to submit amended business cases to NSW Treasury, and the Budget Committee of Cabinet, prior to taking actions that represent a material departure from the business case.
- 6.23 To enforce this recommendation, the Committee considers that government policies and guidelines relevant to relocations and ICT projects should emphasise that agencies should not materially depart from business cases, without first submitting an amended business case to NSW Treasury for approval. The Committee acknowledges that provision may be required for emergency situations, such as when an agency feels that the time taken to obtain the approval may significantly impact on their ability to deliver services. However even in crisis situations, the Committee is of the view that agencies should be required to submit amended business cases to NSW Treasury, even if in a reduced form. This process should ensure that agencies keep business cases, and the documents that flow from them, as current documents.

RECOMMENDATION: NSW Treasury consider amending the requirements and guidance applicable to capital funded projects to emphasise that agencies should not materially deviate from approved business cases without first obtaining the approval of NSW Treasury. The requirements and guidance should discuss the responsibility of agencies in emergency situations.

- 6.24 In its submission to the Committee, OSR made the following suggestions to reduce the possibility of similar occurrences in the future:

An appropriate central agency should be responsible for the development of guidelines for major relocation projects, including a template project plan that is updated following feedback from post implementation reviews of major relocation projects. The guidelines and plan should include resourcing and change management, business continuity and risk identification and mitigation strategies.¹²

- 6.25 The Transitional Manager for IPB, Mr Robertson, also made the following comments:

Mr ROBERTSON...The Government has had a number of experiences with relocations and each one involves the interaction of government agencies. There might be an opportunity to develop some templates to assist other agencies in the three major areas: the people, facilities and technology. There is probably enough experience now to pull that together.¹³

- 6.26 The Committee agrees with this recommendation.

RECOMMENDATION: Central agencies consider the development of template project planning documents to be regularly updated following feedback from post implementation reviews of major relocation projects. Ideally, the templates would cover people, facilities and technology issues.

¹² OSR submission, p 11

¹³ Transcript of Evidence 19/5/04, p 11

Appendix 1 - List of Submissions

1. Mr John Hogan
2. NSW Ombudsman
3. Mr Peter Debnam MP
4. Mr Mick Roelandts
5. Roads and Traffic Authority
6. The Hon J J Della Bosca MLC
7. New South Wales Treasury
8. Mr Rodney Edwards
9. The Office of State Revenue
10. Mr Barry Douse
11. NSW Police (supplied various documents relevant to inquiry)
12. New South Wales Treasury – supplementary submission
13. The Office of State Revenue – supplementary submission
14. Roads and Traffic Authority – supplementary submission

Appendix 2 – List of Witnesses at Hearings

18 May 2004, Parliament House

Organisation	Representatives
Former General Manager of Infrastructure and Processing Services within NSW Police	Mr Barry Douse
NSW Police	Mr Ian Rea, former IMPS Project Manager
NSW Police	Mr Peter Wood, General Manager of Infrastructure and Processing Services
Roads and Traffic Authority	Mr Barry Phillips, Manager Road User Strategic Projects
NSW Treasury	Ms Sue Power, Director Property and Venues Mr Colin Campbell, Principal Adviser Property and Venues

19 May 2004, Maitland City Council

Organisation	Representatives
Office of State Revenue	Mr Brian Robertson, Transitional Manager – Infringement Processing Bureau Ms Lisa Evans, Deputy Director – Infringement Processing Bureau Mr Colin Brown, Consultant, Infringement Processing Bureau
Infringement Processing Bureau	Mr Mick Roelandts, Business Development Manager – Infringement Processing Bureau