

**Submission
No 2**

**PROCUREMENT AND MANAGEMENT OF ICT
SERVICES IN THE NSW PUBLIC SECTOR**

Name: Mr E. John Blunt
Date Received: 26/10/2012

Letter from E. John Blunt

Jonathan O'Dea MP
Chair
Legislative Assembly Parliamentary Accounts Committee
Parliament House
Macquarie Street
Sydney NSW 2000

File Ref: LAC12/437

Submission by E. John Blunt - Procurement and Management of ICT Services in the NSW Public Sector

Thank you for this opportunity to provide input into this important Review.

Please find attached my brief Submission.

This Submission should be treated as a public document.

Should you require clarification regarding the Submission, please do not hesitate to contact me.

I would be interested in learning who the PAC is using as its Procurement and ICT Advisers through this important Review.

Handwritten signature of E. John Blunt in black ink, appearing as 'E. Blunt' with a flourish.

E. John Blunt
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Telephone: 03 9553 1182
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28th October 2012

Attachment:

- A. Submission by E. John Blunt - Procurement and Management of ICT Services in the NSW Public Sector

Procurement and management of ICT services in the NSW public sector

Submission by E. John Blunt

Thank you for this opportunity to provide input into this important Review.

I note that there is an increasing dependence of government on ICT and the high risk entailed in many ICT acquisitions; the complexity of the ICT environment and the speed with which technologies are changing; the relative importance of government expenditure in the NSW ICT marketplace, which provides leverage in supporting the achievement of government objectives; and ensuring that ICT resources are managed throughout their lifecycle to ensure continued utility, functionality, performance effectiveness and value for money.

I also note that ICT procurement should follow the mandated steps for all government procurement. Indeed, conceptually, procurement of ICT programs and projects is no different to the procurement of all other programs and projects. Indeed where ever possible, all procurement should comply with the standard mandated government procurement process – by allowing different procedures to apply, the core government procurement processes may be weakened. It appears that government is happy that ICT procurement is considered different to all other government procurement. That PAC is reviewing ICT procurement rather than government procurement reinforces this perception.

I specifically note the Public Accounts Committee will inquire into and report on issues arising from reports by the Auditor-General on the procurement and management of Information and Communication Technology (ICT) by NSW government agencies. In doing so, the Committee will have regard to recent procurement reforms and the three major weaknesses identified by the Auditor-General as leading to failure in ICT project delivery and ongoing project management: deficient project management; poorly guided and managed system migration and data conversions; and poor contract management. The inquiry will focus on:

- i. Measures to improve ICT project and contract management in the public sector, in particular in relation to contract negotiation and on-going contract management;
- ii. The efficacy of central agency policies and strategies that guide ICT projects in the public sector;
- iii. The adequacy of risk management and corruption prevention strategies relating to ICT procurement and contract management;
- iv. Long-term planning to meet the ICT needs of the public sector and ensure the best value for money in the procurement of government ICT products and services; and
- v. Any other related matters.

Unfortunately, it appears from the above that an emphasis on procurement is unfortunately not apparent. The review therefore appears to focus on the final step of procurement (negotiation) and subsequently contract management.

I suggest the three major weaknesses identified by the Auditor-General as leading to failure in ICT project delivery and ongoing project management: deficient project management; poorly guided and managed system migration and data conversions; and poor contract management **are indicators of poor application of a project 'review process' and an inadequate focus on the initial stages of a procurement process.** My Submission will focus on these two issues.

'Gateway Review Process'

A 'Gateway Review Process' examines projects and programs at key decision points. It aims to provide timely advice and an independent view on the current progress of a project or program and assurance that it can proceed successfully to the next stage.

Gateway reviews are applicable to a wide range of programs and projects, including ICT-enabled business changes.

A Gateway review delivers a peer review, in which independent, external practitioners use their experience and expertise to examine the progress and likelihood of success of the program or project. It provides a valuable perspective on the issues facing the internal team and an external challenge to the strength of the plans and processes.

The Gateway Review Process also provides benefits to the overall program or project management process in the following areas:

- i. achievement of more realistic time and cost targets for programs and projects;
- ii. improvement of knowledge and skills among government staff through participation in reviews;
- iii. fellow practitioners provide advice and guidance to the program and/or project teams; and
- iv. lessons are translated into value-adding advice and activities aimed at improving government
- v. investment outcomes.

Every public sector body has its own structures and resources for carrying out internal reviews, checks and audits of its programs and projects. The Gateway Review Process provides a snapshot of progress at a point in time and should be seen as complementary to the internal processes, not a replacement for them.

Organizations should have an effective framework to provide a suitable level of assurance for their portfolio of programs and projects. This requires management to map their assurance needs and identify the potential sources for providing them. Public sector bodies should be encouraged to ensure adequate and timely coordination and sharing of information, including plans, between the various internal review functions.

Organizations should be aware of the extent and limitations of the various review processes, for example, a Gateway review does not replace the need for a full audit opinion on the effectiveness of risk management, control and governance in the audited area. The review process is not a substitute for a rigorous governance framework in the organization to manage key processes, such as: business planning; investment appraisal and business case and

benefits management; program and project portfolio management; risk management; procurement and/or acquisition and service and contract management.

Summary - *By not fully utilizing the 'Gateway' process for all ICT projects that always some inherent risk, failure in ICT project delivery and ongoing project management may have unnecessarily increased: created an environment in which project management standards have not been maintained; may have led to poorly guided and managed system migration and data conversions; and led to poor contract management.*

Summary - *A more strict enforcement in using the 'Gateway' process for ICT projects may improve ICT project and contract management in the public sector, in particular in relation to ongoing contract management.*

Recommendation - *The PAC should inform itself with data as to the total number of ICT programs and projects that have been subjected to the 'Gateway' process and vs-a-vs what percentage of ICT programs and projects were not subject to the 'Gateway' process. Such data will indicate if the lack of application of the 'Gateway' process to ICT project may have contributed to a failure in ICT project delivery and ongoing project management: deficient project management; poorly guided and managed system migration and data conversions; and poor contract management.*

Recommendation - *The Gateway Review Process should be mandated for all high risk ICT programs and projects.*

Focus on the initial stages of procurement

My experience suggests that most problems in ICT procurement occur at the earlier steps of procurement:

- i. **Initial project scoping and project identification** - Every ICT project develops in response to an identified need, generally in the form of having a difficulty in meeting a policy target or user demand for a particular service. The first stage of developing and implementing a solution is to understand this need. What is the particular need to be met? Who does it impact? How does it fit with Government and departmental policies and objectives? What will success look like?
In a 'Gateway' sense, this is the 'Strategic Assessment' stage where a natural decision point arises once this business need or risk has been identified, scoped and understood. The decision is then whether to proceed to identifying, documenting and justifying solutions to the need.
This stage, for ICT Projects, is often problematic. If it is difficult to answer the above questions, the project may be doomed to failure.
- ii. **Project initiation** - The ICT project initiation process produces a case for the project, based on business needs and an assessment of the project's likely costs and potential for success.
A review focuses on the project's business case. It provides assurance that the proposed approach to meeting the business requirement has been adequately researched and can be delivered. It also confirms the project benefits are identified at a

high level and their achievement will be tracked using a defined measurement approach e.g. benefit management plan.

If the business case is not strong, the project may be doomed to failure.

- iii. **Procurement approach** - focusing on establishing a clear definition of the project and a plan for its implementation.

An assessment of the level of understanding of the supplier market and the approach for achieving the project's objectives must occur as will an assessment of whether the project is ready to invite proposals or tenders from the market.

This is, I believe, the most important procurement step. This is the last opportunity the organization has to control the procurement as it is only after the organization is satisfied in all respects, that the bidding document is released to the market. Should any subsequent adjustment be required, then they will be at cost to the organization.

Do not release a bidding document unless it is sound.

- iv. **Tender Decision** – this follows an evaluation of received proposals against predefined requirement and evaluation criteria detailed in the organizations Bidding Document.

Organizations need to ensure the recommended tender decision is appropriate before the contract is awarded to a supplier or partner, or a work order is placed with an existing supplier or other delivery partner. A review can ensure that the processes used to select a supplier were sound; the process has been well managed; whether the business needs are being met; whether client and supplier can implement and manage the proposed solution; and whether a successful outcome can be achieved. The project team must be satisfied due consideration has been given to all the factors, including choices about proposed commercial arrangements.

Do not award a contract unless all aspects of the evaluation and award are sound.

- v. **Implementation** - is the solution is robust before implementation; how prepared is the organization is to implement the business changes before and after delivery; are the contract management arrangements appropriate; and whether there is a basis for evaluating ongoing performance. It is important that ICT projects are well prepared for the contract management phase. This requires a governance structure the operational phase of the project together with adequate budgets, appropriately skilled staff, plus appropriate accommodation for the service management team.

For ICT projects, a review must take place after all testing, including business integration and business assurance testing is completed and before rollout or release into production.

Do not commence implementation unless all aspects of the project are sound.

Summary – *A full and proper focus on the initial stages of a procurement process will improve the likelihood of ICT project success and lessen the risk of failure.*

Recommendation - *The PAC should seek to assure itself that the initial stages of a procurement process, especially for ICT-enabled programs and projects are adequately emphasised in NSW Government procurement systems.*

Summary

The following points are made in summary:

- i. *By not fully utilizing the 'Gateway' process for ICT projects that always some inherent risk, failure in ICT project delivery and ongoing project management may have unnecessarily increased: created an environment in which project management*

- standards have not been maintained; may have led to poorly guided and managed system migration and data conversions; and led to poor contract management.*
- ii. A more strict enforcement in using the 'Gateway' process for ICT projects may improve ICT project and contract management in the public sector, in particular in relation to on-going contract management.*
 - iii. A full and proper focus on the initial stages of a procurement process will improve the likelihood of ICT project success and lessen the risk of failure.*

The following recommendations are made:

- i. The PAC should inform itself with data as to the total number of ICT programs and projects that have been subjected to the 'Gateway' process and vs-a-vs what percentage of ICT programs and projects were not subject to the 'Gateway' process. Such data will indicate if the lack of application of the 'Gateway' process to ICT project may have contributed to a failure in ICT project delivery and ongoing project management: deficient project management; poorly guided and managed system migration and data conversions; and poor contract management.*
- ii. The Gateway Review Process should be mandated for all high risk ICT programs and projects.*
- iii. The PAC should seek to assure itself that the initial stages of a procurement process, especially for ICT-enabled programs and projects are adequately emphasised in NSW Government procurement systems.*

This submission should be treated as a public document.

Should you require clarification regarding any of the above comments, please do not hesitate to contact me.

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28th October 2012

Mr. E. John Blunt, is a Public Sector Management and Procurement Expert with very extensive experience in operational procurement and in leading public procurement and institutional reforms in a variety of international development environments the Asian Development Bank, the Australian Agency for International Development, the European Commission, the SADC Secretariat and the United Nations Development Program and with the governments of Australia, Swaziland and Timor-Leste.

He also has significant commercial procurement experience in Australia, China, Hong Kong, Papua New Guinea, the Philippines and Thailand.

He is also an experienced 'Gateway Reviewer' of high risk Victorian Government projects, including for ICT projects.