

PROCUREMENT AND MANAGEMENT OF ICT SERVICES IN THE NSW PUBLIC SECTOR

Organisation: Name Withheld
Name: Name Withheld
Date Received: 30/10/2012

Partially Confidential

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:

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<i>TOR Item Text</i>	<i>Input</i>	<i>Confidential (Y/N)</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;	<p>acknowledges the need to review and update documented policies and processes for ICT project and contract management, including governance, in line with resolving known issues. The community of PM/ICT suppliers to Government Agencies need to be kept fully informed of such reviews and updates, to ensure the "levelling" of the playing field in terms of knowledge of Government ICT Project standards and Government expectations.</p> <p>Working through the Australian Information Industry Association, found the process and outcome of the recent negotiations to finalise the NSW Public sector master contract (2020) for the procurement of IT Services from the Industry, to be a worthwhile and successful initiative by the NSW Government.</p> <p>The documented policies and procedures must address the roles and associated responsibilities in services procured, <u>as well as</u> the skills required to perform to those responsibilities. For the latter, it would be highly beneficial to have a skills capability framework (or equivalent) initiated and published.</p> <p>In relation to contract negotiation and on-going management, has well established processes and governance models that are mandatory for our own internal purposes, as would most ICT service providers. It is important to clearly understand the NSW Government rules of engagement and obligations as they change over time, to ensure our internal practices remain appropriate and current.</p>	N
	<p>Government-funded ICT projects are more often than not, driven by date rather than effort and scope. For example, Ministers often announce that an initiative supported by the right ITC system or solution will be made available to the public by a certain date. The relevant departments then do their utmost to develop a solution by that date sometimes at the expense of proven and necessary project practices.</p> <p>Whilst this sort of scenario may happen at short notice for understandable reasons, it is felt that it has become too much the norm rather than the exception, and that more Industry/Public sector planning and advice/input is required in developing plans, with greater Industry consultation on the normal Government forward Program intentions and probabilities.</p>	N

	<p>Additionally, in an attempt to minimise costs, Agencies often nominate their own personnel in key project roles such as Project Managers, Test Manager, BAs, etc. This is potentially an additional contributor towards failure in project management. For example:</p> <ul style="list-style-type: none"> • Client personnel often come from domain-specific backgrounds. For example, NSW Health may use personnel with clinician backgrounds in Project Management roles, whereas their skills qualify them as Subject Matter Experts (SMEs) and other "user" roles rather than for project negotiation and project delivery roles. These people often do not have the relevant skills or experience required for contract negotiation and the contract/project monitoring and project control roles. • It is likely that Agency personnel experience and suitability in Project Management roles were the source of problems/issues encountered in ICT project negotiation and management identified in the recent review by the Auditor General. 	
2	<p>The efficacy of central agency policies and strategies that guide ICT projects in the public sector;</p> <p>Efficacy requires a basis for prediction and measurement of required outcomes. In [REDACTED]'s view, a standardised ICT services classification framework for government projects would provide for greatly improved efficacy. Two domains of services need to be accommodated:</p> <ul style="list-style-type: none"> • Commoditised Services - those which are highly method driven and therefore are more easily quantified and estimated such as data modelling and design; database administration; function specification based on function analysis etc. • Project and Delivery-based Outcome Services - those which are less easily scoped and require application of subject matter expertise. Such work can be monitored on a "value delivered versus cost" basis where the value may be tangible or intangible. 	N
3	<p>The adequacy of risk management and corruption prevention strategies relating to ICT procurement and contract management;</p> <p>We suggest that the "how to" of risk management and corruption prevention needs to be tackled on the following levels:</p> <ul style="list-style-type: none"> • Define the minimal principles that apply to all Government ICT projects regardless of Agency or type of project • Articulate the principles and controls that are relevant at the specific Agency level and specific type of project • Define the minimal "Service Category" standards/controls that apply to all Government ICT projects regardless of Agency and • Articulate any of the "Service Category" standards and controls that apply to any specific ICT project at an Agency level. <p>This would assume the existence of a common language of Service Categories, addressed in 5.1a and 5.1b below.</p>	N

4	<p>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</p>	<p>In [REDACTED]'s view, "value for money" in the Government Sector requires planning at the whole-of-government or super-department level that also integrates into planning at the Agency level to achieve:</p> <ul style="list-style-type: none"> • Long term benefits from ICT services that are appropriate to be shared, hence provisioned and contracted once • Medium term benefits that derive from Agency responsiveness to their unique requirements, demanding smaller scale and more numerous provisioning and contracting of ICT services <p>[REDACTED] understands the dictates of both sets of requirements and asks only to have clarity over and appropriate engagement with such integrated planning processes. The implications from this are playing out right now in NSW, with large scale initiatives intended to satisfy numerous Agencies arising alongside ongoing and new initiatives from individual Agencies themselves. It is not always clear to ICT suppliers just how priorities are set and where these initiatives interact.</p>	N
5	Any other related matters.	<p>5.1a - A recommendation, published in the Auditor General's summary report states, "that the DFS start capturing the prices charged by suppliers contracting through IT services State Contracts (such as contract 2020) and to make these benchmarks available to procuring agencies". This recommendation assumes a "Like-for-Like" capability in capturing ICT services, that they are appropriately categorised / catalogued according to a published "Services Catalogue".</p>	
		<p>5.1b - [REDACTED] considers it critical for Agencies that pricing of services is not misinterpreted. To this end it is essential to "talk the same language" - that is, that there is common terminology and meaning that applies across all Agencies for procurement of ICT products and services. At the same time, allowance needs to be made to accommodate terminology specific to an Agency (or sector such as Police, Healthcare etc).</p> <p>The focus of such language standards should be those services that are to be "price-monitored" under this recommendation. For each service (e.g. Business Case Development services) it would also be necessary to have a description of outcomes (tangible or intangible) it is intended to deliver. This description needs to include the scope of work to be undertaken or include a breakdown of the sub-services that are in scope. Such information, excluding competitor pricing, should be made available to all service providers bidding for contracts.</p> <p>A Supplier also needs access to the pricing of its services that Government intends to include in its "benchmark" listing and be provided with an opportunity to comment before those prices are published to Government Agencies.</p>	Y

	5.1c - Competitor pricing should in practice include a supplier's cost for the procurement of government business as this is a cost of doing business for all providers – see also 5.2a and 5.2b below.	Y
	5.1d – Benchmark pricing should not be made available in the public domain either by Government or through one of its Agencies. Such a practice would inhibit competitiveness between service providers creating convergence of pricing that would disadvantage Government.	Y
	5.2a - We note that The Terms of Reference (TOR) are a correct and useful framework for the Inquiry. Underlying these TOR is the subject of service provider “cost of responding to and winning Government ICT opportunities”. This subject is indirectly alluded to in the AG's recommendation, published in the summary report, "that the DFS start capturing the prices charged by suppliers contracting through IT services State Contracts (such as contract 2020) and to make these benchmarks available to procuring agencies". We suggest this Inquiry considers the strategies that suppliers are likely to adopt to accommodate this and whether or not there is benefit to Government or to ease the burden on Suppliers.	N

[REDACTED]