



Government of **Western Australia**
Department of **Health**
Office of the Director General

Mr S K L'Estrange
Chairman
Public Accounts Committee
Parliament House
PERTH WA 6000

Dear Mr L'Estrange

**PUBLIC ACCOUNTS COMMITTEE - INQUIRY INTO INFORMATION AND
COMMUNICATIONS TECHNOLOGY (ICT) PROCUREMENT AND CONTRACT
MANAGEMENT**

Thank you for your letter of 14 July 2015 inviting WA Health to make a submission to the above Inquiry.

WA Health is pleased to assist with the Inquiry through the attached response to the Committee's questions.

Yours sincerely

Dr D J Russell-Weisz
DIRECTOR GENERAL

15 September 2015

189 Royal Street East Perth Western Australia 6004
Telephone (08) 9222 4002 Fax (08) 9222 4314 TTY 1800 067 211
Letters PO Box 8172 Perth Business Centre Western Australia 6849
ABN 28 684 750 332
<http://www.health.wa.gov.au>

Public Accounts Committee Inquiry – ICT Delivery

Delivery of ICT

What are the common problems witnessed in public sector delivery of ICT goods and services?

WA Health has witnessed a number of common problems in the delivery of ICT goods and services that it is currently seeking to address through the *WA Health Information and Communications Technology (ICT) Strategy 2015-2018* and through ongoing reforms in procurement practice. The issues can be broadly characterised in line with the categories outlined below.

Governance and Leadership

Resources available for ICT need to be used effectively and expended on activities that will make the greatest difference to outcomes for the WA community. A core issue identified by WA Health was the lack of an agreed, agency-wide governance structure and methodology for prioritising ICT investment decisions. Government agencies and their service delivery areas face a range of competing priorities for ICT investment which, in a context of limited financial resources, require high-level strategic oversight. Competing priorities for investment can include requirements to: stabilise existing ICT infrastructure, implement and integrate complex ICT systems at new and existing facilities, consolidate duplicate systems and build foundations for the future. In an environment of insufficient strategic planning for system and applications architecture, government agencies are at risk of overlooking key investment requirements at an agency-wide level. This is particularly the case for agency-wide applications and architecture which may not necessarily have an internal 'champion' for leading the identification of funding needs and analysis and system deployment, operation and maintenance.

Organisational Capacity and Capability

Competition for highly skilled technical staff drives costs up, and makes it difficult to develop in-house technical expertise and reduce reliance on external contractors. WA Health has encountered significant challenges in recruiting personnel to technical ICT positions due to salary competition from the private sector. The inability to attract and retain key in-house ICT skills makes it difficult to maintain sufficient internal planning, control and oversight of ICT delivery, with WA Health often required to engage expensive contractors to provide technical advice and assistance. The problem is compounded by the consequential constraint in the ability to build corporate knowledge of key systems and processes. Other challenges include the complexities surrounding the acquisition, deployment, management and licensing of software across an agency with over 40,000 employees spread across the State.

Procurement Planning and Contract Management

Closely linked to the constraints on organisational ICT capacity and capability are issues with procurement planning and contract management practices, particularly in relation to ICT

service contracts. ICT contractors are in many cases engaged on the basis of hourly rates which, in a competitive market, can be significantly higher than the rates paid to internal government resources. In light of these significant hourly rates, it is incumbent upon government to demonstrate the value for money achieved through the contract, including the measureable outcomes of the engagement. However, WA Health has experienced difficulties in tying ICT service contracts to the delivery of clearly defined deliverables and outcomes. The industry is particularly resistant to all attempts to define, scale, scope and intent for ICT contracts with the general catchcry that “you are not buying widgets”. The limitations of internal technical capacity and capability means that developing clear outcomes-based specifications and managing the performance of ICT service contracts also remains an ongoing challenge. In this ICT procurement environment, WA Health is at the risk of cost overruns and/or non-achievement of required outcomes for ICT services contracts.

A lack of strong procurement planning and contract management also leads to process duplications and ineffective management of contract compliance. In an organisation as large as WA Health, aggregating procurement requirements can lead to economies of scale and significantly streamline internal administrative processes. However, without a common platform for registering current procurement and contract details, WA Health staff are at risk of duplicating procurement and contract administration processes for requirements which are common across the organisation. In addition, it is difficult to effectively monitor and control contract usage to ensure contract compliance. This is of particular concern in relation to software licensing where suppliers undertake regular audits and charge penalties for WA Health using software in a manner that does not comply with the terms of the licensing agreement.

Accountability and Responsibility

ICT procurement frequently involves drawing together technical, project management, procurement and functional expertise to ensure the required outcomes are achieved. In a large organisation such as WA Health, locating expert technical and clinical personnel to provide required input in a procurement process in a timely manner can be a complex process of navigating varied directorates and teams. Locating, sourcing and coordinating input from these varied personnel can be a time consuming process which leads to delays. In addition, the disaggregated location of relevant expertise dilutes accountability and responsibility for the procurement outcome. With personnel focused on delivering ‘business as usual’ activity, providing input to a procurement process may be viewed as a non-core function that is not a priority. In WA Health, procurement practitioners report significant delays due to difficulties sourcing sufficient business technical and clinical input into specification, whilst technical, clinical and functional staff report that they are required to spend unsustainable amounts of time away from core business to take part in procurement activities.

The above issues are neither new nor particularly surprising in a large and diverse organisation such as WA Health and it is noted that the ICT Strategy 2015-2018 recognises these challenges and seeks to address these systemic issues via Priority Area 1: Stabilise existing infrastructure and systems and Priority Area 3: Governance and clinical Leadership.

Priority Area 1 in particular has a clear focus on reviewing all outstanding ICT requests and the development of a forward work plan whilst Priority Area 3 Governance stream will be key in demystifying the ICT procurement processes through the establishment of clinical and consumer reference groups and implementing transparent project management, accountability and ownership processes. This work will be supported by the implementation of the Procurement Development Management System (PDMS) that will enable easier navigation of procurement and approval processes, increase transparency and visibility of the ICT procurement portfolio and can be tailored to complement the ICT Governance framework outlined in the ICT Strategy.

In April 2014, a new governance structure was created to fill a strategic role for ICT planning, decision making and delivery within WA Health to ensure that that ICT investment appropriately supports the achievement of WA Health's strategic and business objectives. The ICT Executive Board is chaired by the Director General and provides oversight, leadership and strategic direction for ICT investment, reviews and approves business cases and prioritises projects. The ICT Program Committee, which is chaired by the Deputy Director General, reports to the ICT Executive Board and ensures that ICT projects and programs align with strategic directions and ICT infrastructure. Both the Executive Board and Program Committee meet monthly.

WA Health is also promoting regular cross-functional communication about procurement, in particular through the creation of the Office of the Chief Procurement Officer (OCPO). The Acting Chief Procurement Officer (A/CPO) meets every two weeks with the Department of Finance ICT Sourcing (DoF ICT Sourcing) Assistant Director and the Director of Strategic ICT Procurement at Health Supply Network (HSN) to discuss any issues with current or planned procurements and to work in concert to generally improve procurement planning, efficiency and timeliness. In addition, the A/CPO convened a recent meeting with procurement leaders from HSN and DoF ICT Sourcing, Perth Children's Hospital ICT and OCPO Policy Team to discuss and identify means for better coordination for planning and streamlining procurement processes. The meeting clarified expectations for well-justified procurement documents, and involved a discussion of the most effective means to communicate with non-procurement stakeholders about due process.

What elements represent best practice in ICT delivery? (note: ICT delivery includes: Project Planning, Contract Management, Project Management, Project Status Reporting and Reviews)

WA Health is implementing best practice in ICT delivery through the implementation of the *WA Health ICT Strategy 2015-2018* and by way of improved procurement practices in line with the *WA Health Strategic Procurement Program*. Best practice in ICT delivery is characterised by:

- forward planning for future ICT investment requirements with sufficient time to allow procurement options to be adequately explored and specifications suitably researched and defined;
- a clear governance structure and methodology for prioritising and approving ICT investment decisions that are aligned to an organisations strategic objectives and priorities;

- approaches to the market which maximise opportunities for competitive quotations rather than limiting the market's ability to respond;
- procurement and contract management practices which ensure that payment for the delivery of ICT services can be clearly linked to the achievement of deliverables and outcomes
- clear guidance for non-ICT stakeholders across the agency on how and when to seek internal ICT advice and expertise.

In accordance with the above elements of best practice, WA Health has implemented new governance structures, internal review processes, forward plans, procurement and project management training, and practice guides to improve the delivery of ICT.

A new governance structure for ICT planning, decision making and delivery within WA Health was implemented in April 2014, to ensure that that ICT investment appropriately supports the achievement of WA Health's strategic and business objectives. The ICT Executive Board is chaired by the Director General and provides oversight, leadership and strategic direction for ICT investment, reviews and approves business cases and prioritises projects. The ICT Program Committee, which is chaired by the Deputy Director General, reports to the ICT Executive Board and ensures that ICT projects and programs align with strategic directions and ICT infrastructure. Both the Executive Board and Program Committee meet monthly.

How do we best measure or define success in ICT delivery?

Success in ICT delivery can be defined as the ability of core business to continue uninterrupted during the ICT planning and delivery process and, once implemented, the ICT solution *enables* measurable improvements in operations, efficiencies and business and patient outcomes. In addition, the WA Government agency should be able to clearly demonstrate that resources available for ICT were used effectively and spent on activities making the greatest difference to outcomes for the WA community.

Government ICT Solutions for Western Australia

Responses to be guided by Office of the Government Chief Information Officer.