

From: E. John Blunt FCILT

The Chairman
Public Accounts Committee
Legislative Assembly
Parliament House
PERTH WA 6000

**Submission by E. John Blunt FCILT – Western Australia Parliament Public Accounts Committee
Inquiry into ICT Procurement and Contract Management**

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

Please find attached my brief Submission.

This Submission should be treated as a public document.

Should you require clarification regarding this 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 inquiry.



E. John Blunt FCILT

C/- Solomon Islands Economic and Public Sector Governance Program

Email:

14th August 2015

Attachment:

- A. Submission by E. John Blunt FCILT – Western Australia Parliament Public Accounts Committee Inquiry into ICT Procurement and Contract Management

Western Australia Parliament Public Accounts Committee Inquiry into ICT Procurement and Contract Management

Submission by E. John Blunt¹ FCILT

Introduction

I note the Inquiry Terms of Reference specifically that

- The Public Accounts Committee (PAC) will inquire into and report on the procurement and contract management framework applicable to the delivery of Information and Communications Technology (ICT) projects across the public sector.
- The PAC will focus on examining elements of best practice in ICT procurement and contract management and the ways in which these can be applied in Western Australia.
- The PAC intends reporting to Parliament by 25 August 2016.

I note that the Western Australian (WA) public sector now spends at least \$1 billion per year on ICT goods and services. The ongoing procurement of ICT goods and services is critical to the efficient and effective delivery of government services. Yet the process of procuring these goods and services often proves challenging for individual agencies. Over the last ten years, consecutive governments have implemented a wide range of initiatives designed to establish a more robust ICT procurement framework. While these may have led to some progress, a series of reports from the Auditor General indicate that the evolution of this framework is yet to produce consistent improvement across the sector. To demonstrate, in 2007, the Auditor General concluded that 'agencies have difficulty successfully delivering ICT projects' and cited a list of common problems including 'passive rather than active executive governance, changes to scope and requirements, technical complexity, inadequate costing and over-optimistic scheduling.'² These problems led to significant increases in project costs and delivery timeframes. Seven years later, following an audit of another ICT project, the Auditor General stated that 'unless we get better at bringing in ICT projects on time and budget, the state will continue to spend millions more than necessary.'³ Such Audit findings are common in other jurisdictions including in New South Wales and Victoria.

I also note that the problems in ICT procurement have been well identified and defined (and are not unique to WA). Hence, the PAC's ultimate focus with this Inquiry is on exploring possible solutions. While the PAC will look to confirm the current policy framework applicable to ICT procurement and contract management in WA, it will concentrate on identifying models of best practice - ideally ones that

¹ The Author of this short paper is Mr. E. John Blunt, a Procurement executive with very extensive experience in leading public procurement reforms and in operational procurement in a variety of environments including internationally with the Asian Development Bank (ADB), the Australian Department of Foreign Affairs and Trade (DFAT), the European Commission (EC), the Southern African Development Community (SADC) Secretariat, United Nations Development Program (UNDP), United Nations Office for Drugs and Crime (UNODC) and with the governments of Australia, Papua New Guinea and Swaziland. He also has commercial procurement experience in Australia, China, Hong Kong, Papua New Guinea, the Philippines and Thailand. He is an experienced 'gateway Reviewer' of high risk Government projects, including for ICT projects. He has worked closely with Anti Corruption bodies in a number of assignments in a variety of jurisdictions. He has two master's degrees including in Business and is a Fellow of the Chartered Institute of Logistics and Transport.

² Auditor General Western Australia, *Second Public Sector Performance Report*, Report No. 3, April 2007, p. 6.

³ Auditor General Western Australia, *Information Systems Audit Report*, Report No. 14, June 2014, Media Release.

have demonstrated a marked improvement in procurement outcomes over an extended period - and the extent to which elements of these models are evident within, or can be incorporated into, the WA framework?

I also note and commend the recent announcement confirming the appointment of the state's first Government Chief Information Officer (GCIO) with an initial remit that includes 'reducing the cost of ICT across government', while working over a twelve-month period to develop a whole-of-government ICT reform plan that will include 'smarter procurement models'.⁴

I also note and commend the PAC for seeing scope for its Inquiry to complement the early work of the GCIO, while also informing the Parliament of measures that might be adopted to improve the capacity of agencies to deliver ICT projects in a more timely and cost-effective manner.

Who Represents Government

Delivering ICT solutions is difficult and as has been previously mentioned, many projects have not been successfully delivered. A key factor is the background and experience of the Project Manager.⁵

In many instances government often lacks the required ICT capacity and capability to deliver the required solution. In such instances, Government will need to engage a Project manager from the market. In doing so, Government may allow itself and its procurement system/process/procedures to be 'captured' by a specialist 'vested interest group' or company to fill this capacity and capability gap. While many 'interest groups' and companies are very well intentioned, their membership or officers represents a specific element of what we call ICT i.e. they may represent system and hardware providers with strong interests to sell specific solutions. Where Government does engage specialist capacity and capability, it can be captured by a specific 'interest group' that may result in the delivery of a specific system or hardware solution.

I do note that the above is a somewhat harsh statement, but is made as a result of many years of experience in attempting to define, procure, implement and use 'ICT' solutions to organization problems in government and commercial environments in Australia and overseas where selection of the project manager can result in delivery of a solution that is aligned with the project managers experiences, background or specific business interests. I note that Government officers can also deliver solutions that are aligned to their background and experiences.

Perhaps Government needs to build a resource of capable ICT officers able to deliver required ICT solutions. Such a solution may be costly as current Government remuneration may not be sufficient to retain such capacity. The alternative is to outsource and potentially risk 'capture' by vested interests.

Identifying who represents Government is an important step in delivering an ICT solution. It is critical if Government does not have the required ICT capacity and capability and needs to engage a project manager from the market.

⁴ Department of Treasury, *2015-16 Budget Paper No. 2 (Volume 2)*, 14 May 2015, p. 518.

⁵ Project Manager, in the context of this Submission, is the senior 'technical' ICT project officer.

This is a critical step in delivering required solutions, but one that is not sufficiently recognized and/or understood.

I suggest that the PAC may want to collect and review information regarding the appointment/engagement of project managers for a range of Government ICT projects across a variety of Departments and Agencies.

Such information should emphasize to the PAC the importance of appointing/engaging a Project Manager with appropriate background and experience to successfully deliver ICT projects.

A focus on the Procurement Process

There has been a tendency to treat the procurement of specific categories of goods and or services, etc as being unique requiring the development of unique rules, etc applying to their procurement.

My experience suggests that most problems in ICT procurement occur at the earlier stages of the procurement cycle.

My experience is that ICT projects may miss or skip some of the normal project cycle key step.

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 the Government and departmental policies and objectives? What will success look like/

In a 'Gateway Review' sense, this is the 'Strategic Assessment' stage where a natural decision point arises once the 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 is doomed to failure.

I suggest that the PAC may want to collect and review information regarding the strength of initial project scoping and project identification for a range of Government ICT projects across a variety of Departments and Agencies.

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.

In a 'Gateway Review' sense, there should be a focus on the project's business case. Such a review provides assurance that the proposed approach to meeting the business requirement has been adequately researched and can be delivered. The review 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.

I suggest that the PAC may want to collect and review information regarding the strength of business cases for a range of Government ICT projects across a variety of Departments and Agencies.

Procurement approach. The procurement approach focuses on 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 released to the market. Should any subsequent adjustment be required, then they will be at cost to the organization.

Do not release a tender document unless it is sound.

I suggest that the PAC may want to collect and review information regarding the strength of procurement approaches for a range of Government ICT projects across a variety of Departments and Agencies.

Tender decision. This step follows evaluation of received proposals against predefined requirement and evaluation criteria detailed in the organisations Bidding Document. Organisations need to ensure the recommended tender decision is appropriate before the contract is awarded to a supplier, or a work order is placed with an existing supplier.

In a 'Gateway Review' sense, a review can ensure that the process used to select a supplier were sound, the process has been well managed, whether the business needs will be met, whether the 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 factors, including choices about proposed commercial arrangements.

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

I suggest that the PAC may want to collect and review information regarding the strength of tender decisions for a range of Government ICT projects across a variety of Departments and Agencies.

Implementation. Is the solution robust before implementation, how prepared is the organization to implement required 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 implementation. This requires a project governance structure for implementation together with adequate budgets and appropriately skilled staff.

In a 'Gateway Review' sense, a review must take place after all installation and 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.

I suggest that the PAC may want to collect and review information regarding the strength of implementation for a range of Government ICT projects across a variety of Departments and Agencies.

Such information will emphasize to the PAC the importance of a well-defined and properly executed procurement process to successfully deliver ICT projects.

'Gateway Review' Process

Reference has been made in this Submission to a 'gateway Review' process. This process, adopted and used by a number of governments including the WA Government, 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 of the procurement/project process.

'Gateway Reviews' are applicable to a wide range of projects and programs 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 project or program. It provides a valuable perspective on the issues facing the internal team and an external challenge to the strength of the plans and processes.

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

- Achievement of more realistic time and cost targets for projects and programs.
- Improvement of knowledge and skills among government staff through participation in reviews.
- Fellow practitioners provide advice and guidance to the project and/or program teams.
- Lessons are translated into value-adding advice and activities aimed at improving government.
- Investment outcomes.

Experience suggests that the WA Government may not be fully utilizing its 'Gateway Review' process for all ICT projects and programs, failure in ICT project delivery and ongoing project management may have unnecessarily increased, created an environment in which ICT 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.

A more strict enforcement in using the 'Gateway Review' process for WA Government ICT projects and programs may improve ICT project delivery and contract management.

I suggest that the PAC should inform itself with data as to the total number of WA Government ICT projects and programs that have been subjected to the 'Gateway Review' process and vs-a-vs what percentage of ICT projects and programs were not subject to the 'Gateway Review' process.

Such data will indicate if the lack of application of the 'gateway Review' process to WA Government ICT projects and programs may have contributed to a failure in ICT project and program delivery, deficient project management, poorly guided and managed system migration and data conversions, and poor contract management.

Conclusion

This Submission focuses very much on current problems in the procurement and contract management framework applicable to the delivery of ICT projects and programs across the public sector specifically on ensuring that:

- An appropriate Project Manager is appointed/engaged.
- Proper emphasis is placed on the use of the WA Government procurement and contract management process especially for;
 - Initial project scoping and project identification.
 - Project Initiation.
 - Procurement approach.
 - Tender decision.
 - Implementation
- Using the 'Gateway Review' process to examine projects and programs at key decision points.

Focus on the above issues reinforces the proper use of key elements of best practice under current WA Government procurement and contract management processes.

Enforcing proper use of the current procurement and contract management framework is necessary before the WA Government could expect to gain benefit from:

- Implementing policies that drive and guide government adoption of new service delivery models and technologies, such as cloud computing.
- Stimulating and developing local industry through universities, start-ups and small to medium enterprises.
- Creating online "one stop shop" portals to rationalize and simplify government services.
- Centralizing and consolidating strategies to reduce costs such as purpose built government data centres.
- Revisiting and redeveloping ICT procurement strategies and frameworks.

As a concluding comment, my experience suggests that while many in the 'ICT profession' will suggest that ICT procurement and contract management is different and should be subjected to 'special' rules,

the principles of procurement and contract management are the same and a 'standard' procurement and contract management process should apply to all procurement including for ICT.

Follow-up

Should you have questions regarding this Submission, please do not hesitate to contact, initially via Email –

For your information, I will be in WA during the period 26th November to 1st December 2016 and may be able to meet with the PAC or its officers if required.