

- 101 This report concerns large Government IT projects, funded principally from separate appropriation. They are generally business change projects supporting the re-engineering of the business processes of government departments.
- 102 In this part we:
- place these projects in the context of the overall goals and objectives of the Government;
 - outline the governance and management roles that determine the success or contribute to the failure of the project; and
 - finally, link these themes by showing the accountability of each role in the project.

Achievement of Government Objectives

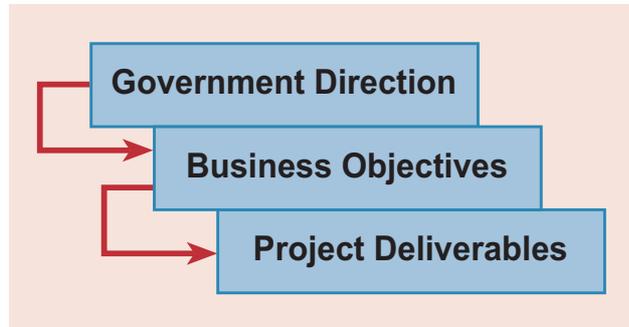
- 103 The *Government's objectives* are expressed in a number of ways, most particularly in the statements of desired outcomes in the *Estimates of Appropriations* (the *Estimates*). Less formal expressions of objectives were to be found in the previous Government's "Strategic Priorities and Overarching Goals" and are to be found in the current Government's "Key Government Goals to Guide Public Sector Policy and Performance".
- 104 These objectives are pursued through the operations of public entities such as government departments, Crown entities,¹ and State-owned enterprises. Each entity has a Responsible Minister, who is primarily concerned with the Government's ownership interest, including the entity's capability.
- 105 The *formal machinery of government* is regulated by the provisions of a number of statutes. For the purposes of this report, the most important of these is the Public Finance Act 1989. This Act regulates the provision and use of public money. It also imposes accountability requirements (both before and after) on those who are authorised to spend public money.
- 106 These requirements include documents that must be provided to Parliament at the start of each year, such as Forecast Reports and Statements of Intent and, at the end of each year, the Annual Report.

1 As defined in the Public Finance Act 1989, and including other public entities declared by other Acts to be Crown entities.

- 107 The Government also maintains oversight through the *monitoring roles of central agencies*. The Treasury and the State Services Commission (SSC) in particular, but also the Department of the Prime Minister and Cabinet (DPMC) and the Ministry of Economic Development, have roles to play in monitoring departments' spending on IT projects.
- 108 Central agency roles have changed dramatically from 10-15 years ago, as individual departments have been given greater autonomy to decide on their spending. From being regulators, the central agencies became monitors. However, over the last two years – as problems with IT projects have caused concern – the Treasury and the SSC have again taken a more active role.
- 109 *Parliamentary oversight* is regulated by the *Standing Orders* of the House of Representatives. Among other things, these set out the procedures and powers of Select Committees in conducting examinations of the *Estimates*, annual financial reviews and specifically focused inquiries. These examinations, reviews and inquiries are largely dependent on the accountability documents described above.
- 110 For the purposes of this report, the most important of these Select Committee activities are the financial reviews – which are reviews of the performance and current operations of government departments, “Sixth Schedule” Crown entities,² and certain other public bodies. Issues concerning the management of IT projects are most commonly addressed in the context of financial reviews.
- 111 Major IT projects form part of an entity’s asset base, which can be funded from a variety of sources. These include Crown capital contributions, premiums and levies, and annual operating revenue. Not all of these sources are subject to prior scrutiny by Parliament, but all are the concern of the Responsible Minister.
- 112 In *departments*, capital expenditure for IT is usually based on project definitions found in the department’s Information Systems Strategic Plan (ISSP). This document needs to have obvious links to the departmental *business objectives* and goals. This is expanded further in Part Two, paragraphs 203-218.
- 113 IT projects are defined in two ways:
- in business terms, “what it will do for the department and potentially the citizen”; and
 - in technical terms, “what it is as an IT system”.

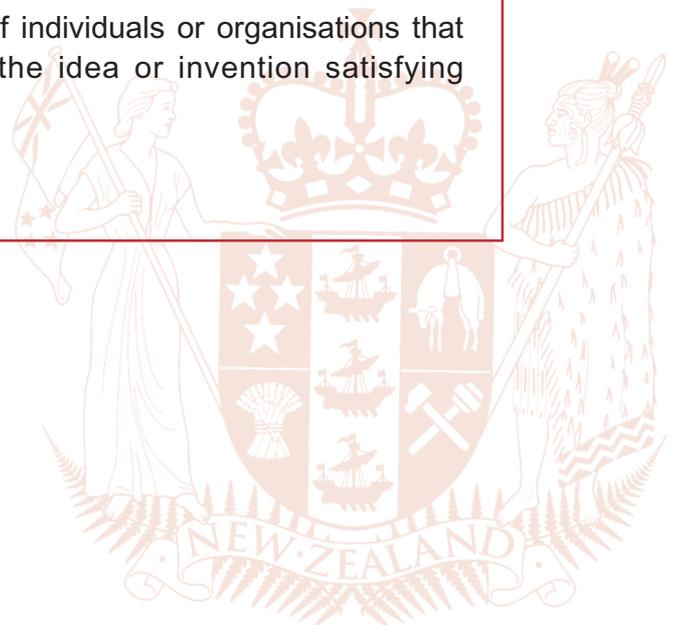
² That is, Crown entities named in the Sixth Schedule to the Public Finance Act 1989.

- 114 Organisations that are successful managing projects will always emphasise what the IT system will **do** rather than what the IT project is. The *project deliverables* are therefore defined in the context of the organisation's business objectives.



An extract from DHI's Purchase Agreement that relates to the HISTMOD project covers the following Output Classes and their Outputs:

1. Preservation of New Zealand's History and Intellectual Capital –
 - (i) Collection and maintenance of biographies of every New Zealander that has competed in any sport or cultural activity at a national or international level.
 - 10,000 biographies documented or updated
 - \$4 million cost.
 - (ii) Collection of publications of ideas or inventions that add to the intellectual capital of major export industries.
 - 3,000 ideas or inventions documented or updated \$2 million cost.
2. Development and enhancement of the skills, capabilities and confidence of every New Zealander –
 - (i) Dissemination of biographies satisfying 75,000 requests from the public.
 - 75,000 requests satisfied
 - \$750,000 revenue.
 - (ii) Dissemination of success stories of individuals or organisations that have benefited from the use of the idea or invention satisfying 50,000 requests.
 - 50,000 requests satisfied
 - \$500,000 revenue.



New Zealand Customs Service, CusMod³

From 1992 to 1997, the Customs Service undertook an extensive programme of change called CusMod (Customs Modernisation), to become a smarter organisation. The results have been dramatic:

The average time to clear goods through Customs has been reduced from 1.5 days to 40 minutes or less, for 90 percent of imports.

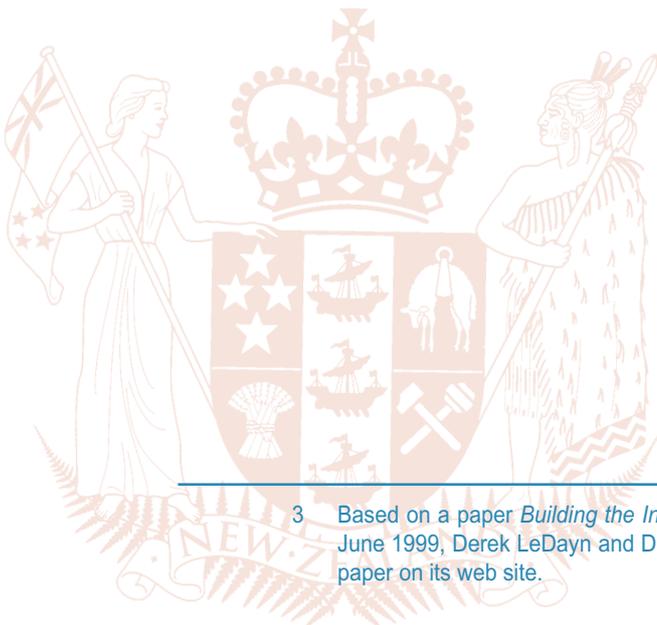
Over 50 per cent of goods are now cleared in transit – goods can be collected directly from ships and aircraft without being stored on the wharf or in warehouses – thus reducing importers' costs.

All communication for the importation of goods into New Zealand is fully electronic – there are no paper-based systems.

Passengers can be “cleared in the air” – most people are not stopped as they enter New Zealand. Instead, high-quality intelligence targets and checks high-risk individuals as they leave their aircraft. This means that less than 2 per cent of passengers are now stopped (down from 10 per cent).

Client satisfaction across a range of service quality attributes has been significantly improved.

With new work processes, systems, technology, and modes of behaviour well established, the Customs Service has evolved a robust and responsive infrastructure and is among the most innovative Customs organisations in the world.



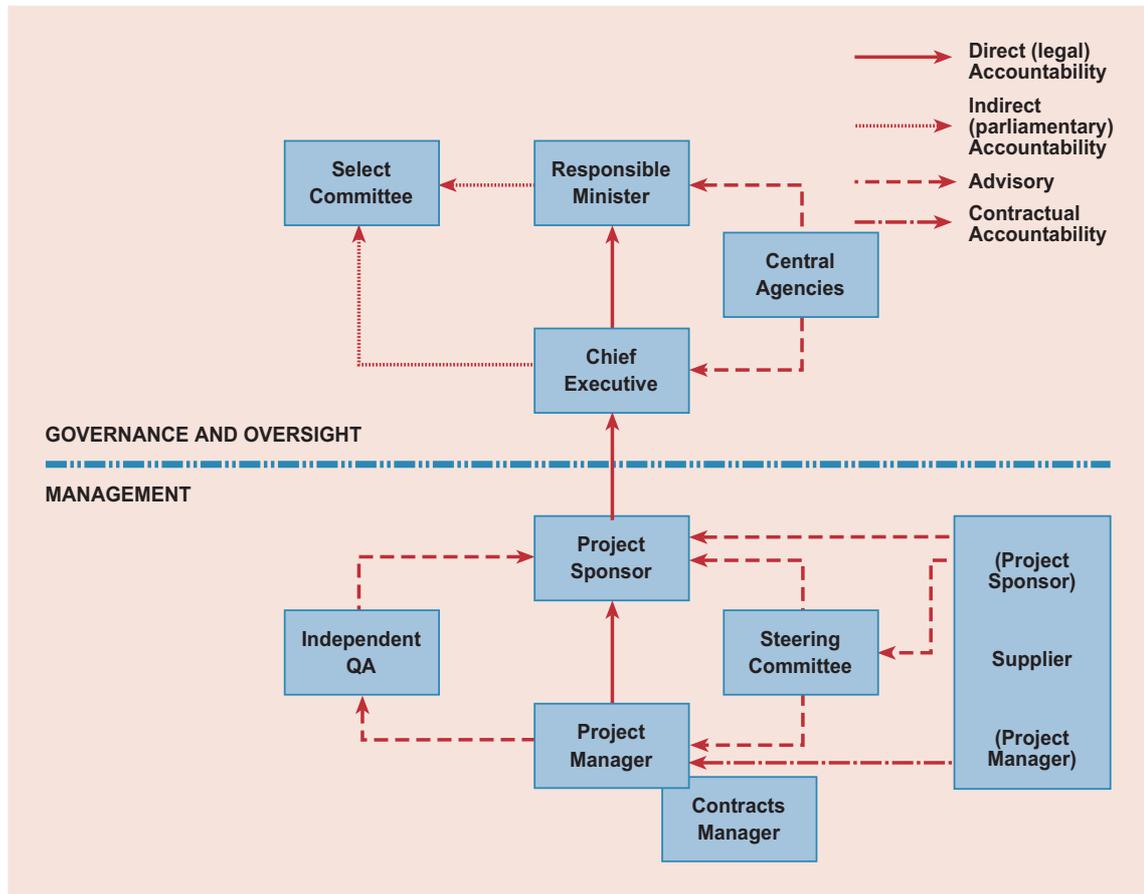
³ Based on a paper *Building the Intelligence-Based Organisation: The New Zealand Customs Service*, June 1999, Derek LeDayn and David Keane. The Society for Information Management published the paper on its web site.

Governance and Management Roles

- 115 Departments develop the capability to enable them to contribute to achievement of political objectives. This often means implementing large business change projects involving IT development. Such projects can be complex and their success is achieved by many people in different roles each meeting their specified responsibilities.
- 116 In the central Government context, it is also particularly important to distinguish between “governance” and “management” roles:
- Governance and oversight are undertaken by those with the authority to approve projects and the use of resources for those projects. Chief Executives, Ministers and Parliamentarians have a governance role.
 - Management is about the actual delivery of projects. Project sponsors and project managers have a management role.
- 117 Successful projects occur when the specific accountabilities and responsibilities of the multiple players are formalised, understood and well executed. Likewise, projects fail when any or all of those responsibilities are not met.
- 118 In the past, oversight and governance has often been addressed by “ignore unless there is a problem”, then review and criticise. *Active execution of oversight and governance responsibilities is as important as the effective execution of management responsibilities.*
- 119 “In the past, project success has relied on the heroic efforts of the project team. Often it has had to work in isolation, supported or misunderstood by the larger IT or business organisations. The success of the project has depended upon the creativity, determination and relentless hard work of the project team.”⁴
- 120 Figure 1 on page 22 summarises the relationships between the roles and responsibilities. We have split these roles and responsibilities into groups reflecting the political, central agency, departmental and project levels of governance and management. Each role and its part in the governance or management of the project is expanded in the following paragraphs.

4 Treasury Board of Canada Secretariat: *An Enhanced Framework for the Management of Information Technology Projects.*

Figure 1
Project Roles and Relationships



Project Sponsor

- 121 Each significant IT project should have a *Project Sponsor*. The Project Sponsor may be the Chief Executive, but must at least be a manager who is senior enough to promote the interests of the project to the Chief Executive and other members of the senior management team.
- 122 In order to assure an appropriate level of engagement and commitment from the Project Sponsor, it is generally desirable that the success or failure of the project should impact directly on the Project Sponsor's areas of management responsibility.
- 123 The Project Sponsor has delegated authority from the Chief Executive for sign-off of project deliverables and expenditure to agreed limits. It is also important that the Project Sponsor is not overburdened with other duties and can devote to the role the amount of time necessary to discharge it effectively.

- 124 The Project Sponsor's role is to promote the interests of the project, to monitor its progress, to ensure that it is appropriately resourced, to mediate its interests with any competing interests of other business units, and in general to facilitate achievement of the Chief Executive's interests in the project. However, *the Project Sponsor's role is not to manage the project itself*. That task belongs to the Project Manager, who is accountable to the Project Sponsor for the successful management and completion of the project.

Project Manager

- 125 The Project Manager's job is to ensure that the project is delivered in accordance with the contract, the defined scope and other baseline documents.
- 126 Project Manager is the single most important role and the person appointed needs to have the knowledge, skill and experience (the "track record") to manage the scope, complexity and risk profile of the project. It is a project role, not a governance role.
- 127 A model sometimes seen, particularly in large projects, is of a "team of peers" – that is, a project manager from the client organisation and a project manager from the supplier organisation jointly carrying the project management responsibility. This may be to capitalise on different skill sets (the client project manager may have specific business knowledge, the supplier project manager may have specific methodology and technical knowledge).
- 128 The disciplines adopted by a professional project manager are designed to enable him or her to deliver a computer system and its related business processes to the Chief Executive within the schedule and budget agreed between them at the beginning of the project (or modified by agreed variations).

Contracts Manager

- 129 Not well understood, and often confused with the roles of either the Project Manager or the Chief Executive or Chief Financial Officer, is the role of the Contracts Manager.
- 130 Contract management is an evolving IT role, having been well established in other procurement and outsourcing functions for many years.

- 131 The Contracts Manager is generally responsible for the working relationship between the customer and supplier – from the customer perspective – in large IT projects.
- 132 *Working closely with but never overriding the Project Manager, the Contracts Manager benefits from not being involved in the day to day detail, when managing the responsibilities and obligations of the parties. It is very important that the arrangements for the management of an IT project, including the establishment of positions such as Contracts Manager, do not restrict, dilute or undermine the authority of the Project Manager.*
- 133 Successful Contracts Managers that we interviewed described the value of:
- understanding the contractual obligations of both parties;
 - accepting that it is vital that the department fulfil its obligations in a project – the supplier cannot be solely responsible for success or failure;
 - facilitating a contract which is designed to deliver the business objective;
 - ensuring that incentives to succeed are in place for both parties; and
 - facilitating reasonable, pragmatic and fair resolution of the many issues which arise throughout a project's life.

Suppliers

- 134 Large Government IT projects are characterised by reliance on suppliers for provision of all or part of the system. The quality of the relationship between the department and the supplier is critical to the success of the project.

- 135 Our experience and that of many project managers is that contractual relationships for projects with a high-risk profile develop most productively when:

- the Chief Executives of both organisations agree how it will operate, their expectations, and key performance measures;
- lawyers then prepare the contract encapsulating the agreed framework and work alongside the business representatives negotiating the details;
- the contract is signed off at the end of the Analysis phase; and

- the project managers of both organisations work together to manage the relationship from day to day.
- 136 The supplier project manager has a management role reporting to or alongside the departmental project manager.
- 137 The supplier Chief Executive may be in an advisory role to the purchasing Chief Executive and also may be an invited member of the Steering Committee.
- 138 The Government requires that, during tender or other supplier selection processes, departments conduct themselves in an “arm’s length” manner with the potential vendors.
- 139 *It is not necessary to continue this “arm’s length” relationship once a supplier has been selected and a contract let. From that point, the department and the supplier need to work as openly and co-operatively as possible, within established guidelines of prudent behaviour and expenditure.*
- 140 While examples do exist of the dangers of “supplier capture”, so do examples of excellent long-term outcomes through co-operative work between trusted, competent suppliers and departments.⁵ These examples of co-operation are not “partnerships” (where risks are more or less equally shared), but are firmly based on the purchaser/supplier framework in which the relative roles and risks are clearly defined and understood. Suppliers underwrite, manage or minimise some risks; but management of political risks, and overall accountability, will always rest with the purchasing organisation.

5 Land Transport Safety Authority and UNISYS; Ministry of Agriculture and Forestry and Wang.

Ministry of Agriculture and Forestry

To meet its objective of ensuring that the Ministry's information needs are met in a cost effective manner, MAF Information established a service vision and service provision strategy. MAF Information also developed a service model, which was used as a tactical tool to identify those services which it would source from the market. Key to the success of this model was the establishment of a co-operative relationship with a supplier to provide these and potentially other key services.

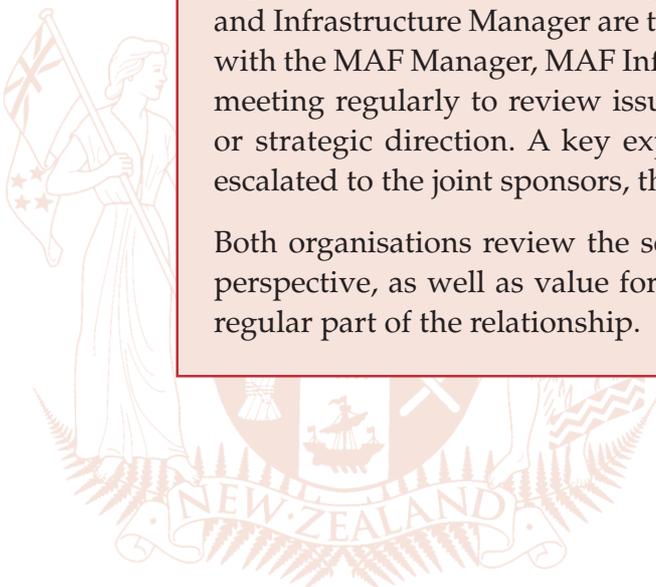
MAF conducted the evaluation of responses to its Request for Proposal (RFP) for a Service Provider in a manner which met the contestability requirements of the process while not requiring the suppliers to "guess" MAF's requirements. The Request for Information (RFI) process was designed to identify a small group of suppliers with the most relevant **capabilities** for MAF's service provision requirements. A short list of three suppliers was clearly identified.

The evaluation team (comprising representatives of each business group and MAF Information) then made themselves accessible to the short-listed vendors during the proposal preparation process. This provided the suppliers with all the information they required, allowing them to "get to know" the organisation well during the proposal preparation process. This provided proposals which were well targeted and made the evaluation process more simple and certain.

The capabilities had been established during the RFI process, and the RFP process focused on **cultural and organisational compatibility, capacity to deliver, value for money, and willingness to link performance with payment.**

The Service Provision Evaluation Team were clear and unanimous in selecting Wang NZ. The relationship is well established and, like all relationships, experiences strains and challenges from time to time. The Contracts Manager and Infrastructure Manager are the key day to day interfaces with the supplier, with the MAF Manager, MAF Information and the Wang Relationship Director meeting regularly to review issues which have been escalated, topical issues or strategic direction. A key experience has been that the earlier issues are escalated to the joint sponsors, the more successfully they are resolved.

Both organisations review the service delivery to the business from the user perspective, as well as value for money for the services being delivered, as a regular part of the relationship.



Project Steering Committee

- 141 The formal interface between the project team led by the Project Manager and the business run by the Chief Executive is the Steering Committee. The Project Sponsor chairs this group.
- 142 *There are differing views as to whether the Steering Committee acts as the first level of governance or the most senior level of project management. Our view is that it is the most senior project management group, with a delegated level of authority for sign-off of project deliverables and expenditure to agreed limits.*
- 143 However, the composition of the Steering Committee may help it form a useful bridge between managers and governors. For example, case studies given in this report illustrate the usefulness of including central agencies on steering committees, not in an executive role but as observers and advisers.
- 144 There can be risks in including central agencies – of unwarranted interference and creating barriers to open dialogue. But, if the situation is judiciously handled, these risks should be outweighed by the benefits of including the key Ministerial advisers in the process early, so that they know enough about the project's objectives and progress to exercise their monitoring role effectively.
- 145 The Chief Executive may also be a member of the Steering Committee. However, it may not be desirable that he or she is also the Project Sponsor as this can blur the management and governance functions of the two roles.

Independent Quality Assurance

- 146 Independent quality assurance is an established role of the project, reporting usually either to the Chief Executive or Project Manager.
- 147 Some projects have established effective independent quality assurance where the consultant reports directly to the Steering Committee or to central agencies, rather than to the department, to maintain separation and objectivity. In other projects, the independent quality assurance consultant reports to the Project Sponsor.



- 148 *As a general rule, quality assurance reports should be made directly to the highest point of project management – such as the Project Sponsor or project Steering Committee. Quality assurance reports have the best opportunity to be effective when they are distributed unfiltered to the Steering Committee. They should not be made directly to – or be subject to any undue influence from – the Project Manager. They should also be made available directly to monitoring agencies.*
- 149 One issue of concern to Ministers and MPs is the lack of authoritative advice when considering a business case for an IT project, and throughout the project in their oversight role.
- 150 The valuable insight that independent quality assurance can offer could ameliorate this problem, but is often overlooked when differing views are held by the department and the central agencies.
- 151 Ineffective quality assurance may result from lack of funding, or from the “independent” quality assurance consultant becoming captured by the project through confused reporting lines.
- 152 *Major IT projects would be well served by ensuring that quality assurance consultants are very senior, experienced and independent. People acting in this role who are not prepared to give their opinion honestly, frankly and independently are not serving the department, Responsible Ministers or MPs well.*
- 153 *The extra costs that might be incurred for expertise and experience are low relative to the potential pay-off.*

Chief Executive

- 154 The Chief Executive has a governance role for the project as he or she has complete authority over the project roles and groups within legislative or regulatory limits.
- 155 The Chief Executive’s relationship with the project should be at arm’s length, but not too distant. A Chief Executive who becomes too close to the project risks losing the objectivity needed to fulfil the governance role. Similarly, if too removed from the project, he or she is ill equipped for the governance role.
- 156 It is important that the Chief Executive strikes the correct balance between these two extremes. Given the potential range and complexity of IT projects, it may be impractical for a Chief Executive to engage either as a Project Sponsor or as a member of the Project Steering Committee.

- 157 Every project needs a framework within which it will operate within the organisation. The Chief Executive is responsible for providing resources and setting expectations. Contractual relationships with suppliers in large and complex projects, i.e. those with a high-risk profile, are a major component of the framework.
- 158 The Chief Executive also needs judgement to know where to make decisions and where to leave decision making to the project professionals. He or she, usually not from an IT background, has to make sense of conflicting advice that is often technical in nature in order to resolve project difficulties beyond the authority of the Project Manager. In these situations, heavy reliance may be placed on independent advisers or consultants to interpret the issues within the department's business context.

Central Agencies

- 159 Central agencies – whose officials may also be members of the project Steering Committee – currently play a support role:
- to departments' Responsible Ministers;
 - to the Finance, State Services and IT Ministers; and
 - in monitoring and reviewing IT projects.
- 160 The SSC's responsibilities are set out in the State Sector Act 1988 (sections 6 (b) and (i), 8 and 9) and more specifically as recorded in *Cabinet Minute CAB (97) M 25/13 "Monitoring function for Major Information Technology Projects in the Public Service"*. The latter established an Ad Hoc Officials Committee to support Ministers in assessing bids for IT projects and considering wider IT issues. It also set up the requirement for independent quality assurance for major IT projects (discussed in paragraphs 146-153).
- 161 The Treasury's role is very broad – as can be inferred from the Public Finance Act 1989, section 79 *Information to be provided to Treasury*.
- 162 Central agencies play an important role in the development of the business case that is the basis for the bid for funding. Their opinions, derived from review of the business case and other departmental material, are considered by the Responsible Minister during the bid evaluation.
- 163 The inclusion of the central agencies' monitoring roles in the hierarchy of governance creates the opportunity for independent and regular project monitoring assisting project managers and the Chief Executive, but also creates some tensions between the agencies and the department and between the agencies themselves.

- 164 A review of the monitoring regime in late-1999 noted that there are still a number of issues to address in the monitoring process:
- alignment of IT strategies with business cases;
 - quality of business cases;
 - the need for accountability to remain with Chief Executives;
 - quality of quality assurance information; and
 - the need for adequate expert resourcing in the monitoring role.

Responsible Ministers

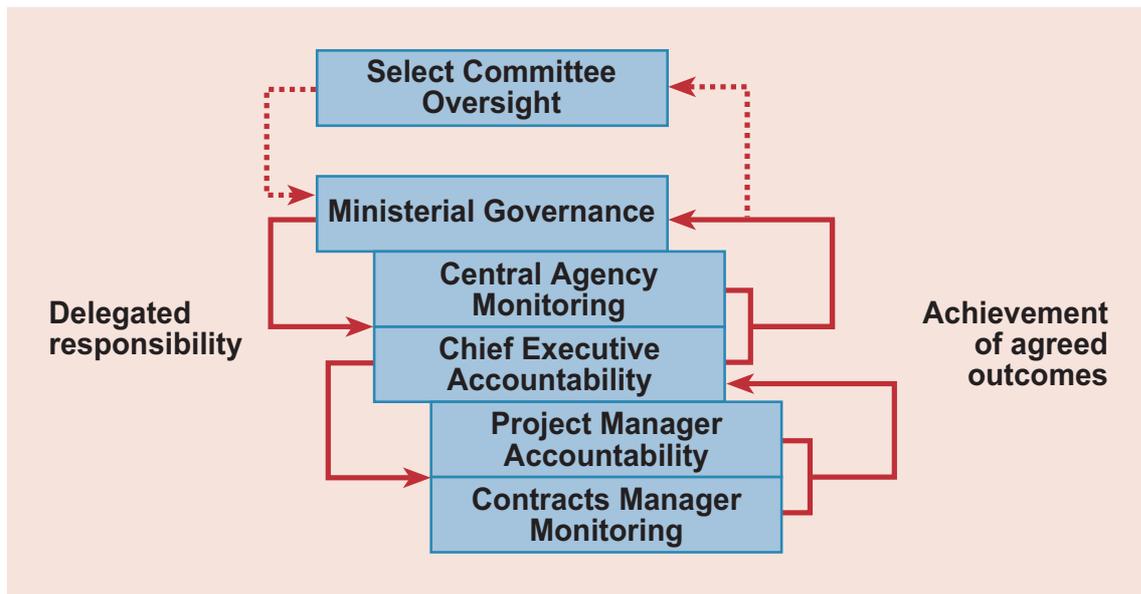
- 165 Responsible Ministers must ensure that *the departments for which they are responsible carry out their functions properly and efficiently*.⁶ Where significant IT projects are being undertaken, Responsible Ministers are likely to be concerned that they further the Government's *key goals* and the department's *key priorities*, and that appropriated funds are used as stated in the business case.
- 166 In practice, this monitoring role is usually supported by the activities of central agencies such as the SSC, the Treasury and the Department of the Prime Minister and Cabinet. However, the agencies are in turn very dependent on the department meeting its reporting responsibilities.
- 167 Ministers may receive conflicting information from the department and central agencies when a project is in trouble or justification for the business case is marginal. This could occur if:
- the department is so committed to the project that it is at risk of losing objectivity; or
 - central agency officials have not had the time or the knowledge to interpret correctly the project issues within their monitoring framework.

- 168 This can place Ministers in a difficult position when determining what action to take.

⁶ Cabinet Office Manual, Chapter 2.

Select Committees

- 169 Select Committees exercise an overarching governance role of behalf of Parliament and, ultimately, on behalf of taxpayers. They examine the *Estimates* and review the performance and operations of government departments. Their role has been jocularly described as “telling Cabinet what the voting public won’t stand for”.
- 170 The Select Committee’s role is one of strategic oversight and high-level accountability. *It is not a role of executive governance or project management.* However, the oversight and accountability processes of Select Committees can be extremely influential and may impact strongly on the project. Their actions and interventions should be carefully judged.
- 171 Having limited analytical resources available to them, Select Committees rely on the Responsible Minister, the Minister for Information Technology, central agency officials, and the Audit Office, as advisers, to discharge their oversight role.



DHI's Chief Executive initially appointed a project manager on contract, because he was concerned correctly that the IT Manager did not have the experience necessary. The person chosen had a variable track record and the CE viewed this as an asset as he believed that project managers learn as much from project failure as they do project success.

A local company (WebBase) specialising in Web design linked to databases was chosen as sole supplier. All technical aspects of the project were outsourced to them. They had about 30 staff and this was the largest project they had undertaken. Most previous business was conducted on a time and materials basis.

The CE delegated contract negotiations to the project manager, contrary to advice from the Treasury, SSC and the IT Manager (who wanted to do it herself), as he was taking 12 months off to study at Harvard. The Collections and Circulation Manager became the Acting CE, she was also the Project Sponsor.

DHI was a small department compared to others being monitored in the relevant Branches within the Treasury and SSC, and the Treasury Vote Analyst was new to the Branch and was spending all his time monitoring a large IT project that was in trouble. As HISTMOD met the criteria for SSC Monitoring Group, it was placed within the monitoring regime, but the SSC official was preoccupied advising the Department to restructure the same project the Vote Analyst was monitoring.

The Culture Minister had changed twice already because of Cabinet reshuffles.

The Social Services Committee was reviewing legislative changes to both the Privacy Act and the Copyright Act focusing on the ownership issues surrounding personal information and its use by Direct Mailing Companies.



New Zealand Customs Service

The Customs Service management team prepared the organisation for an intensive strategic planning exercise, they also started to work with other senior managers to understand better the wider environment in which the Service operated. In particular, they had a series of meetings with key stakeholder groups to identify the ways that Customs could become more facilitative in its work. These meetings showed there was not only a need for a change in work processes, but there was also some major “attitudinal” change required. The Customs Service was widely perceived as a “policing, law enforcement agency” with little regard for customer service or client responsiveness.

Against this background Customs Service senior management began intensive strategic planning. The purpose, as it was put to us, was to “get everyone pointing to the same compass point.” It became clear that the old system of random checks would no longer work in the future. The Service needed to become much more sophisticated to capture high-quality intelligence so it could target its interventions. The new vision was based on the philosophy of striving for *minimum* intervention by stopping only “high-risk” goods and passengers.

With this vision now in place, and with senior management actively supporting the new philosophy, CusMod had a clear mandate to proceed.

With key stakeholder expectations now under close management, the CusMod programme could begin transforming the organisation to support the new strategic vision. The Customs Service soon discovered that this would require substantial outside support – both of sheer resources to do the work, and also in knowledge and expertise (especially in change management), which simply were not available in-house.

The Customs Service decided that what it really wanted was a “business partner” who would work with it in understanding the business, work out the goals, design a solution, and then help in selecting and building the component parts of the solution. Above all, the Service was looking for a partner who would share *responsibility* for implementation – thus reducing risk to itself.

Following a tendering process which produced a shortlist of three candidates (down from an initial 55), the Service eventually appointed Andersen Consulting as its preferred partner. Although Andersen Consulting did not have any track record in the Customs business, its proposal showed a “genuine willingness to share responsibility throughout the programme.” Andersen Consulting also had a demonstrated track record – having recently completed a high-profile IT project with Inland Revenue Department.



Accountability for Achieving Objectives

- 172 In this section we outline accountability at each level in the governance and management hierarchy for delivering agreed objectives.
- 173 Accountability for project delivery and promised business benefits flows up the project hierarchy, each level hopefully matching its delegated authority.
- 174 The accountabilities of independent quality assurance, steering committees and suppliers are not considered here, as they are not in the direct project hierarchy.

Project Sponsor

- 175 The Project Sponsor is accountable for:
- promoting the interests of the project;
 - monitoring its progress;
 - ensuring that it is appropriately resourced;
 - mediating its interests with any competing interests of other business units; and
 - in general facilitating achievement of the Chief Executive's interests in the project.

Project Manager

- 176 The Project Manager becomes accountable for a project after agreement with the Chief Executive (delegated to the Project Sponsor) that he or she will deliver the specified deliverables within the framework of the management strategies and taking account of the project risks.
- 177 There are reciprocal responsibilities between the Project Manager and the Chief Executive.
- 178 From the Chief Executive's perspective, the Project Manager is responsible for delivering the agreed project deliverables within time and budget unless variations are agreed to and approved by the Project Sponsor. The Chief Executive relies on the professional expertise of the Project Manager to achieve these outcomes.

- 179 From the Project Manager's perspective, this assumes that the Chief Executive – through the Project Sponsor and his/her staff – has confidence that the specification of the new system and contracts with suppliers will deliver what the department wants. It also assumes that the Chief Executive will provide the framework and resources to enable delivery of the project outcomes.

Contracts Manager

- 180 This is an emerging role, which is likely to require a commercial or legal background, and might be sourced either externally or internally but usually part-time.
- 181 The Contracts Manager is accountable for monitoring and reporting on the compliance of each party's formal and informal obligations, on behalf of the customer.
- 182 Establishing and monitoring reporting requirements is a key part of this role.
- 183 The Contracts Manager has a valuable role to play in ensuring that the Project Manager, Supplier and Chief Executive do not lose sight of the original objectives of the project as he or she is not directly involved in the delivery of the project.

Chief Executive

- 184 The Chief Executive is accountable for the use of funds allocated to the project, ensuring:
- that the project team is actually delivering the specified system to the schedule agreed; and
 - that the organisation is preparing itself to use the new system and its business processes to meet the business objectives of the department.

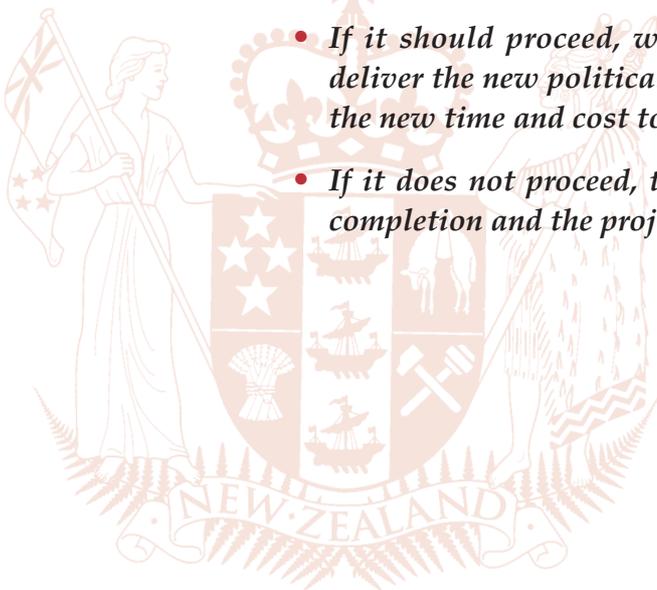
Central Agencies

- 185 Treasury and SSC officials are accountable to their Ministers to provide correct and complete advice about the viability of the business case, to monitor project progress against benchmarks, and to alert Ministers promptly when a project gets into trouble.

- 186 Officials are concerned to monitor project risk. However, in doing this they risk becoming accountable for the project outcomes, transferring that accountability from the Chief Executive.
- 187 The role each agency has is not prescribed in legislation. Instead, they have divided the responsibility since the SSC IT Monitoring Group was formed 18 months ago. *There can still be tension between the two agencies which could interfere with their effectiveness.*
- 188 The recent review of the central agency monitoring regime (released by the State Services Commission in November 1999) emphasised the value of involving central agencies early in major IT projects. To form their “second opinion” on the projects they must be very familiar with project rationales and business drivers.

Responsible Minister

- 189 The Responsible Minister is accountable to Parliament for the performance of the department including its performance in managing the project. The Government periodically modifies its political direction (either because of a change of government or because an existing government modifies its policies).
- 190 *Where a change in political direction also changes the business objectives of a department with a project in progress, the Minister needs to consider the impact on the project deliverables, time scale and budget in four ways:*
- *Is there any conflict between the objectives and outcomes of the existing project and the new policy or legislation?*
 - *If there is, should the project proceed?*
 - *If it should proceed, what changes are needed to ensure that it does deliver the new political direction. What allowance should be made for the new time and cost to deliver to the modified policies?*
 - *If it does not proceed, the Minister should withdraw funds for project completion and the project would be cancelled.*



Select Committee

- 191 The functions of a Select Committee are to:
- review the capital components (if any) of the estimates for each department, during examination of the *Estimates*; and
 - review the department’s performance and current operations – and its capability (including IT capability) – during the annual financial review.
- 192 A Select Committee can also undertake special inquiries into any aspect of departmental activities, including IT projects.
- 193 However, a Select Committee review or inquiry is normally carried out at such a level that, unless a project requires a significant capital injection, or is a very significant part of a department’s activities, the department is unlikely to directly inform the Committee of the project’s status and health.
- 194 The Audit Office advises Select Committees and will draw a Committee’s attention to issues with IT projects if it is aware of them and thinks they are significant.
- 195 The Audit Office does *not* have a direct role in oversight of projects, but is concerned to establish that they are being managed and monitored appropriately.



The Project Manager prepared a Terms of Reference (TOR) for his role in a hurry so it could be signed off before the CE left for Harvard. The TOR stated clearly his accountability for the success of the project as understood by both parties at that time. The Requirements Specification was being prepared jointly by WebBase and staff from the Collections and Circulation Department when the TOR was signed off. WebBase had expertise with relational databases but not with knowledge bases.

The SSC official took time off from his other project to help the Acting CE and Project Manager set up a Steering Committee, chaired by the Project Sponsor (also the acting CE). He was too busy to attend meetings himself. Other members were the IT Manager, the Project Manager, and representatives from the Hillary Commission and the New Zealand Educational Institute. The CE of WebBase was to be a member on an invited basis.

The new Culture Minister (not a member of the majority party in the Coalition), aware that the Social Services Committee was reviewing the Privacy and Copyright Acts, was personally concerned with the impact of proposed changes but was not aware that this would affect HISTMOD. The Select Committee was not aware either.

DHI did not have a policy section, relying on policy developed by the National Library and National Archives.

LTSA, Drivers Licence Project, from interview with Alan Woodside and Tony West, 21 July 1999

A single project office was established with members of LTSA and the supplier working together. Both parties reported regularly to the Steering Committee.

LTSA constructed reporting and communication mechanisms with the aim of mitigating risk including political risk. A series of “health checks” and independent reviews were a scheduled part of the project.

A monitoring group, chaired by LTSA with SSC, Treasury, and the Ministry of Transport officials, was established to maintain ongoing communication of project progress between the delivery agency (LTSA) and the central monitoring agencies.

LTSA commissioned a series of health checks, through independent audits of the project office.

There was also an internal Steering Group with UNISYS as principal supplier and AA (once selected) on it. LTSA also used public relations and communications channels to brief external agencies.

LTSA believes that the Government has a genuine political “need to know” the state of these projects and any issues arising from them. Consequently, LTSA welcomed the involvement of the central agencies.