

Summary

The Purpose of This Report

This report is about the governance and oversight of large information technology (IT) projects in the public sector.

Recent, highly publicised difficulties with public sector IT projects – such as the National Library and Police INCIS projects – have focused public and political attention on them. Problems have included failure to deliver what was required and major time and cost overruns.

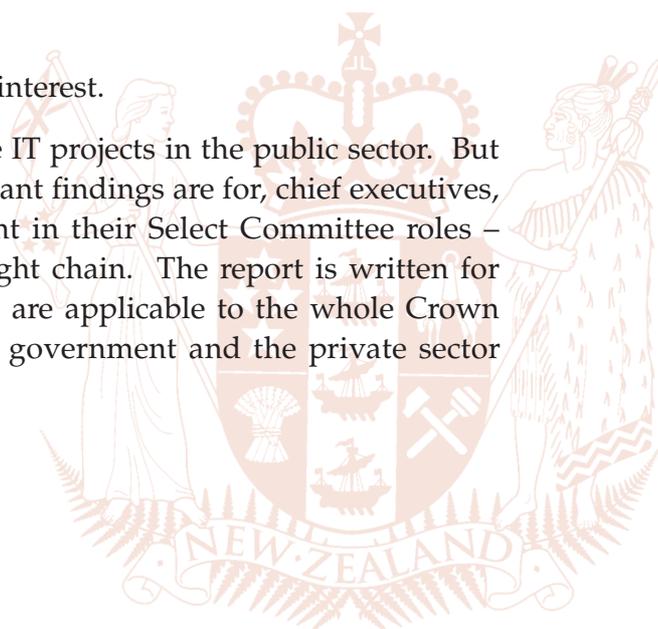
Difficulties with IT projects are not new, or confined to the public sector or (indeed) to New Zealand. Much has been written about the need for sound project management, and the principles of effective project management are well known. Yet the difficulties with IT projects continue. Lessons learned are not shared, and the same mistakes recur from project to project and from entity to entity.

We did not think it would be useful to revisit the issues of project management in detail. Instead, we decided to examine the problem from the angle of governance and oversight – the top levels of IT projects.

The public sector is a far more open and transparent environment than the private sector, and the chains of authority and decision-making are longer. While private sector chief executives might only have their board of directors to account to, public sector chief executives must consider:

- the monitoring role of central agencies;
- their own Ministers; and
- potential Parliamentary and public interest.

The report refers to all aspects of large IT projects in the public sector. But it concentrates on, and its most important findings are for, chief executives, Ministers, and members of Parliament in their Select Committee roles – the top of the governance and oversight chain. The report is written for central government, but its principles are applicable to the whole Crown sector and (at least partially) to local government and the private sector as well.



SUMMARY

The principles in the report distil current wisdom about large IT projects. While we expect most of the principles to stand the test of time, both principles and processes must be constantly refreshed in a rapidly changing environment. Key players must remain alert to changes that might challenge or complicate the principles.

For example, current work to spread information across agencies and sectors, for policy and other purposes, complicates the roles and accountabilities for development and management of systems. Such changes do not invalidate the principles – they merely make them harder to apply.

Key Messages

We discuss:

- basic governance structures for IT projects;
- how IT projects actually happen; and
- reasons for success and failure.

Each part of the report raises issues for consideration, summarised in a set of questions which we believe that chief executives, Ministers, and Select Committee members should ask with respect to any large IT projects they are involved with.

Our key messages for each of these three groups are set out below.

Key Messages for Chief Executives

Chief executives play a linchpin role in the success of major IT projects. Often, these projects are cornerstones of the entity's business plans, including change and development strategies. The chief executive therefore has a major interest in the project's success.

However, the chief executive is critically dependent on the quality of the people directly involved in the project, and on continuity in the department's business purpose and strategies over the long implementation time of the project.

The risk that a large IT project will divert key resources from normal operations – to the detriment of the day-to-day delivery of core services – needs to be carefully managed.

Project Management

The chief executive may well act as sponsor for a large IT project – particularly a project with significant business implications. Nevertheless, the chief executive must guard against being either too close to the project to assess purpose and progress objectively, or too remote to be aware of significant changes in status or risk.

The project manager for a significant IT project should have:

- a suitable track record;
- the confidence of organisational sponsors and central agencies; and
- suitably designed incentives to see the job through successfully.

The larger and more complex a project is, the more likely it is that a co-operative relationship with a competent lead supplier may be more effective than an arm's-length relationship based on tight output specifications.

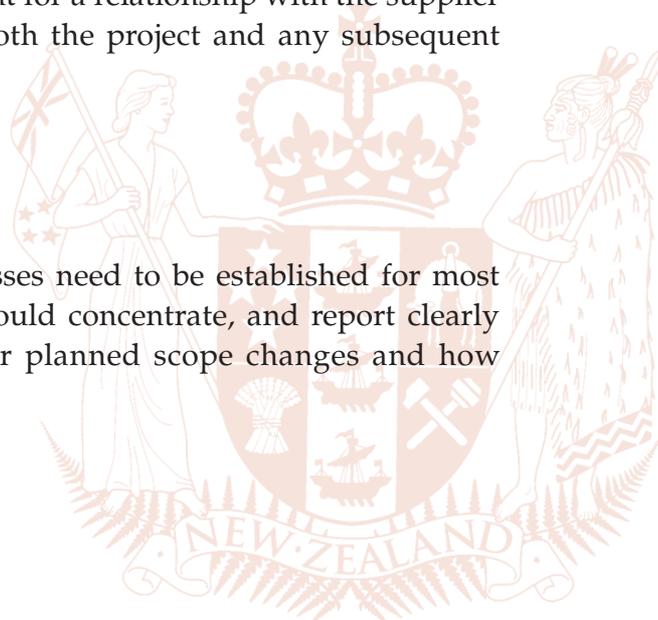
In any event, the chief executive (or a senior business manager) of the lead supplier needs a forum within which to communicate with the departmental sponsor, as the supplier also has a significant stake – financially and for its reputation – in the successful outcome of the project. A project steering committee may provide this.

The Contract

The project contract should protect the interests of the Crown while establishing a proper legal environment for a relationship with the supplier that will stand for the duration of both the project and any subsequent support contract.

Quality Assurance

Independent quality assurance processes need to be established for most significant projects. The processes should concentrate, and report clearly to the chief executive, on possible or planned scope changes and how project risk is being managed.



Implications of Legislative Change

The Minister and the relevant Select Committee should be made aware of:

- the impact that any planned legislative changes would have on a project; and
- whether these changes are being sponsored by the chief executive's department or by another department or entity.

Key Messages for Responsible Ministers

Responsible Ministers are accountable to Parliament for the performance of their departments and, hence, for the departments' performance in managing projects. Ministers are heavily dependent on both central agencies and the departments themselves for information about the likely benefits, progress, and risks associated with projects being proposed or undertaken.

The Business Case

The Minister should expect the business case for a new project to clearly state, in measurable terms, what it will do for the department and for taxpayers – i.e., the intended business outcomes of the project. The risks identified in the business case should be relevant, based on the experience of competent advisers, reasonable (i.e. not understated), and show an understanding of the range of uncertainties in the project.

The business case should also include provision for sufficient funding to support competent, independent, quality assurance. The quality assurers should report to the project steering committee and the chief executive, and the assurers' unedited reports should be available to the Minister and central agencies.

Funding

Appropriations for funding will often be made either at a bulk level or so early in a project's life that cost and time estimates are very uncertain. Such contingencies and uncertainties should be clearly spelt out in the business case and, if not initially appropriated for, acknowledged and tracked for potential future supplementary appropriations.

Monitoring

Central agencies have clearly defined roles in monitoring the development of business cases and the progress of projects. The Minister should expect sound advice from them on these matters, based on their applying sufficient, competent resources to the project in question.

Regular project reports to the Minister should be brief, to the point, and factual. Reports should specify progress against the benchmarks established in the initial business case and details of progress for the latest reporting period. Reports should also keep the Minister informed on key risks, changes in key risks, and the effect of those changes on promised project outputs and outcomes.

The chief executive should also give the Minister confidence that the department is in full control of the issues identified in the “Key Messages for Chief Executives”.

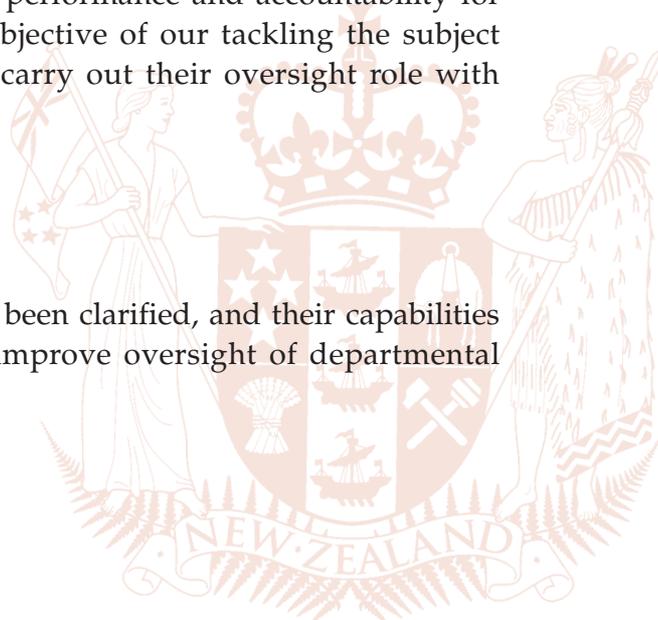
Key Messages for Members of Select Committees

Select Committees perform an important oversight function on behalf of Parliament and taxpayers. Through reviews of the Estimates, financial reviews, or inquiries, the Committees hold the Executive to account for its plans and actions. They do not have a hands-on management role but, as part of the oversight process, they have a reasonable expectation of being informed of planned major initiatives, and of progress on those initiatives.

Recent difficulties with major projects have diminished the confidence of some Select Committees in Executive performance and accountability for IT projects. Accordingly, the major objective of our tackling the subject has been to help Select Committees carry out their oversight role with more confidence in the outcome.

Central Agency Monitoring

Central agency monitoring roles have been clarified, and their capabilities are being strengthened, in order to improve oversight of departmental IT projects.



Information from Departments

A committee should expect information from the department on plans for, or progress on, large IT projects as part of their *Estimates* or financial review reporting. The information should have the characteristics identified above for reports to the Minister.

If a committee has concerns about project plans, risks, or progress, the most important factors for it to inquire into are those identified above in the key messages to chief executives and Ministers.

Implications of Legislative Change

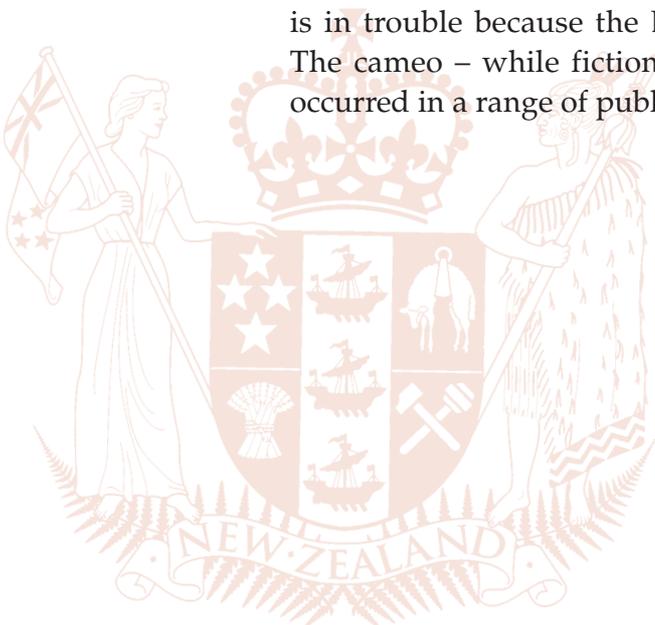
When evaluating new legislation, a committee should expect advice from the department on the impact that the changes will have on its work in progress and the costs or risks which might be created by the legislative change.

Use of Example and Case Studies

We illustrate the themes that have emerged by using:

- the example of an imaginary government department; and
- actual case studies.

We have created a cameo of an imaginary government department – the Department of History and Ideas (DHI) – which is automating its core business processes to provide Internet access to citizens. The programme is in trouble because the DHI has made all the major mistakes possible. The cameo – while fictional – is built up from events that have actually occurred in a range of public sector entities.



Each episode of the DHI story looks like this:

The Department of History and Ideas (DHI) has been part of the Public Service for almost 100 years. Its role is twofold – to collect and record information on all aspects of New Zealand society relating to human endeavour and to disseminate the material through any medium available to citizens.

Successive governments have cut back its budget but it would be politically damaging to close it down as it is a well-loved resource for advertisers, teachers, sports coaches, writers and crossword puzzle experts. A new Chief Executive was appointed two years ago and charged with the task of preparing the department to be restructured as an SOE. The Chief Executive reports to the Minister of Culture and has an annual vote of \$16 million.

The DHI has had approval to convert all its material into digital format and automate its systems for gathering, codifying, documenting and disseminating the material. Cabinet approved the Historical Modernisation project (HISTMOD) in 1998 with a budget of \$6.5 million and an implementation time of 2½ years.

This report also uses actual case studies of projects that have been successful or provide useful lessons. Each case study looks like this:

Real examples of the theme for each section are taken from the following projects:

Land Transport Safety Authority – Drivers Licence Project

Department of Social Welfare – FOCIS Programme

ASB Bank – major development project

Inland Revenue Department – FIRST Programme

New Zealand Customs Service – Customs Modernisation Programme (CusMod)

Land Information New Zealand – *Landonline*

Ministry of Agriculture and Forestry – Service Provision Project, Standard Desktop Project

National Library – NDIS Project

