Impact of Increased Scrutiny of High Value High Risk Projects

Tabled 26 June 2014

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Background

- Critical that major projects are well planned and delivered.

- Past problems—poor business cases and procurements.

- High Value High Risk (HVHR) reviews:

  - Started in 2011 to cover 2012–13 Budget cycle.

  - Extra scrutiny of deliverability—costs, time lines, benefits.

  - Coverage—Budget funded and >$100 million, high risk or government nominated.

  - Scope—extra scrutiny and approvals for business cases and during procurements.

Make major project delivery more predictable and reliable.

The audit

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Examined how well the Department of Treasury and Finance (DTF) is applying the HVHR process to improve project business cases and procurements

- so these provide a basis for delivering intended project benefits
- within approved time lines and costs.

Is the HVHR process achieving its goal of improved deliverability?

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Scope and approach

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Application of HVHR process examined for:

- the registration and licensing system project (RandL)
- Mitcham Road and Rooks Road rail grade separations
- Royal Victorian Eye and Ear Hospital redevelopment
- Western Highway duplication from Beaufort to Buangor
- regional rolling stock purchase.

Three further reviews using updated template:

- Blackburn Road grade separation, Kilmore-Wallan bypass and Southland Station.

Examined two things:

1. management of the process
2. quality of the reviews.

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DTF's management of the HVHR process

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Considerable scope to improve management by:

- improving how projects are selected for inclusion

- providing better guidance material for analysts

- applying consistent and comprehensive record keeping

- better communicating lessons and better practices

- evaluating emerging outcomes

- better identifying and transparently dealing with conflicts.

Recommend that DTF addresses these issues.

Applying these management actions will improve the efficiency and transparency of the HVHR process.

DTF's management of the HVHR process – *continued*

Consistent selection for and application of HVHR:

- Systematically reviewing projects $5 million to $100 million.

- Clarifying criteria for including non-Budget projects.

- Including unsolicited bids over $100 million.

Projects funded before HVHR review:

- ≈ $20 billion funded without HVHR review of business cases.

- Intention is for these to be reviewed.

- DTF needs to determine how to do this effectively.

Recommend DTF improves project selection.

DTF needs to tighten up project selection and be clear about how it will assess fast-tracked projects.

Quality and impact of the HVHR process

- Business case and procurement scrutiny has improved.

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- However, gaps and weaknesses means practices don't meet DTF's better practice guidelines.

  - Costs, time lines and risks are best scrutinised.

  - Clear gaps in scrutiny of procurement, governance/ project management.

  - Assurance of project benefits is clearly inadequate.

- Not checking the benefits is a significant and recurring concern.

Recommend DTF improves review comprehensiveness.

Risk that government invests in projects without assurance that benefits are achievable.

Registration and licensing system project (RandL)

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- A complex ICT project needing HVHR scrutiny.
- Risk management and oversight not effective:
  - Paused in 2011 but review did not address risks.
  - Paused in 2014 because of materialising risks.
- Lack of skills/experience to manage/oversee project:
  - management approach
  - management oversight
  - independent review.

Recommend DTF makes sure right skills in place.

Key lessons for management of complex technology projects.

Recommendations

	Accept
That the Department of Treasury and Finance:	
1. improves its approach to selecting projects for inclusion in the HVHR process by: • systematically reviewing projects between $5 million and $100 million to determine whether they should be subject to the HVHR process through documented reviews of project risk assessments • clarifying the criteria for selecting public projects that do not require Budget funding for inclusion in the HVHR process • recommending that projects over $100 million selected under the government's unsolicited bids policy be subject to HVHR processes	✓
2. develops assessment guidance and templates covering all HVHR stages to improve the consistency, rigour and transparency of HVHR reviews.	✓

Recommendations – *continued*

	Accept
That the Department of Treasury and Finance:	
3. improves its administration of the HVHR process by: • applying a standardised file structure for managing assessment documents and supporting evidence • developing and maintaining a comprehensive central register of HVHR review activity by project and HVHR process stage	✓
4. improves how it communicates with and informs departments by: • developing a structured approach to collating and sharing the lessons from all HVHR reviews • completing an annual satisfaction survey of agencies that have been subject to HVHR reviews	✓
5. identifies potential conflicts of interests of reviewers and documents how these are mitigated.	✓

Recommendations – *continued*

	Accept
That the Department of Treasury and Finance:	
6. develops and applies an evaluation tool to measure the extent to which the HVHR process is affecting project outcomes	✓
7. provides greater assurance that HVHR reviews comprehensively test compliance with its Investment Lifecycle and High Value High Risk Guidelines in areas critical for project deliverability	✓
8. checks that for complex, risky projects—particularly those involving information and communications technology transformations—the specialist skills needed to successfully manage, oversee and quality assure these projects have been assessed and acquired.	✓

Relevant reports

- *Planning, Delivery and Benefits Realisation of Major Asset Investment: The Gateway Review Process,* May 2013

- *Management of Major Road Projects,* June 2011

- *Management of Major Rail Projects,* June 2010

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