

Digital Dashboard: Status Review of ICT Projects and Initiatives

Tabled 15 April 2015

The Auditor-General provides assurance to Parliament on the accountability and performance of the Victorian Public Sector. The Auditor-General conducts financial audits and performance audits, and reports on the results of these audits to Parliament.

On the 15th of April 2015, the Auditor-General tabled his Information Systems Audit report, *Digital Dashboard: Status Review of ICT Projects and Initiatives*.

Overview

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Victorian Public Sector does not have a good track record with information and communications technology (or ICT) projects.

ICT equipment electronically collects, records and/or transmits data and image-based systems.



ICT projects are activities that are ICT driven or enabled, or where ICT is fundamental to a project achieving agreed objectives, benefits or outputs.

The Victorian Public Sector does not have a good track record with information and communications technology (or ICT) projects. A number of VAGO's previous reports have highlighted significant weaknesses in the planning and implementation of ICT projects, which often incur substantial delays and cost overruns.

What do we mean by ICT? ICT is any equipment that electronically collects, records and/or transmits data and image-based systems. ICT projects refer to activities that are ICT driven or enabled or where ICT is fundamental to a project achieving agreed objectives, benefits or outputs.

Overview – *continued*

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This audit:

- provides a status review of selected public sector ICT projects and initiatives
- found that Victorian agencies and entities are unable to:
 - comprehensively and accurately report on actual ICT expenditure or project status
 - assure Parliament and the Victorian community that government's significant ICT investments results in public value.

This audit provides a status review of selected public sector ICT projects and initiatives.

We found that Victorian agencies and entities are unable to:

- comprehensively and accurately report on actual ICT expenditure or project status
- assure Parliament and the Victorian community that the government's significant ICT investments result in public value.

Focus of this audit

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Phase one

- Key areas examined:
 - How much is spent on ICT?
 - Are ICT projects appropriately planned, managed and implemented in terms of time, cost, governance and benefits realisation?
- Audit scope:
 - 417 public sector agencies and entities.
 - ICT expenditure and projects for 2011–12 to 2013–14.

Phase two

- More comprehensive examination of selected ICT projects.
- To be undertaken in subsequent years.

This audit is undertaken in multiple phases.

In phase one of this audit, and the phase to which this report relates, the key areas examined were:

- How much is spent on ICT in the public sector?
- Are ICT projects being appropriately planned, managed and implemented in terms of time, cost, governance and benefits realisation?

The audit scope was comprehensive, and included 417 public sector agencies and entities. It required data on ICT expenditure and projects for the financial periods 2011–12 to 2013–14.

Phase two of this audit will include a more comprehensive examination of selected ICT projects. We will examine governance processes over these projects, and determine whether the projects have effectively delivered benefits and value. These findings will be reported on in subsequent years.

ICT expenditure

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12–13

- Getting information on government's ICT spend is a complex and challenging exercise.
- No consolidated reporting on overall public sector ICT expenditure in Victoria.
- Agencies, in general, are unable to provide basic ICT spend information. Reasons provided for this include:
 - financial processes not enabling comprehensive disclosure
 - decentralised ICT management and functions
 - recent mergers as well as machinery-of-government changes
 - some financial and project records being held by another agency, entity or organisation
 - key staff with relevant information having left the organisation.

In relation to the first focus area, ICT expenditure, the audit found that getting information on the Victorian Government's ICT expenditure is a complex and challenging exercise.

In particular, there is no consolidated reporting on overall public sector ICT expenditure in Victoria.

It was also found that agencies, in general, are unable to provide basic information on ICT expenditure. Some of the reasons provided for this include:

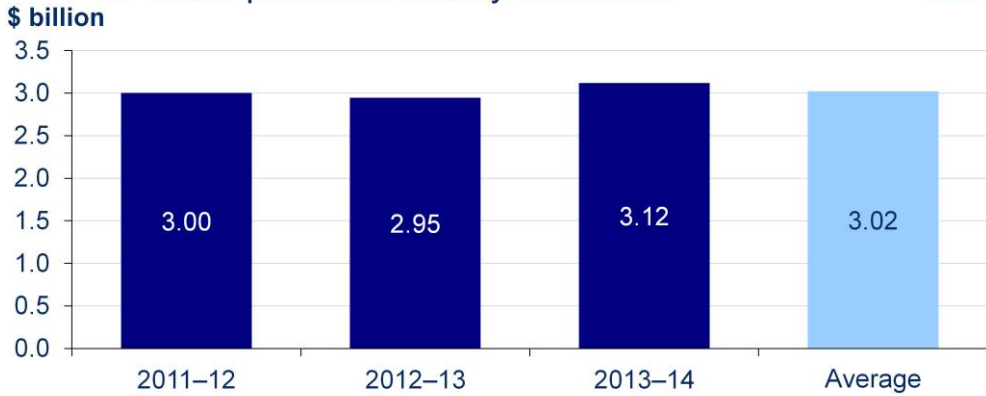
- that financial processes do not enable or require comprehensive disclosure of actual ICT expenditure
- ICT management and functions are decentralised and therefore require coordination across numerous and disparate units within the agency to determine this information
- recent mergers as well as machinery-of-government changes have resulted in information being unavailable
- some financial and project records are held by another agency, entity or organisation, and are therefore unavailable
- that key staff with relevant information had left the organisation.

ICT expenditure – *continued*

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- Average annual ICT expenditure of \$3.02 billion is 200–300% previous industry estimates.



- \$3.02 billion is 4.3% of the average annual state operating expenditure of \$71.04 billion.

This chart shows the average annual ICT expenditure since 2011–12.

ICT expenditure – *continued*

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- Former Department of Education and Early Childhood Development and Victoria Police are top spenders at an average of \$256.3 and \$213.6 million per annum, respectively.
- \$3.02 billion is a conservative figure—does not include the former Department of Transport's 2011–12 ICT expenditure, as well as Public Transport Victoria's spend for its \$738.8 million myki Ticketing Solution for 2011–12, 2012–13 and 2013–14.

Department of Premier and Cabinet (DPC) needs to provide strategic leadership and effective guidance to accurately monitor and report on government's ICT spend.

We found that the former Department of Education and Early Childhood Development and Victoria Police are the top spenders.

While 3.02 billion dollars is a large amount, this is considered to be a conservative figure. For example, this figure does not include:

- the former Department of Transport's ICT expenditure for the financial year 2011–12, and
- Public Transport Victoria's reported cost for its 738.8 million dollar myki Ticketing Solution for the financial years 2011–12 to 2013–14.

The Department of Premier and Cabinet, or DPC, as the department now responsible for the ICT portfolio, needs to provide strategic leadership and effective guidance to accurately monitor and report on the government's ICT spend.

ICT projects

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- Agencies and entities, in general, are unable to provide relevant information on their ICT projects.
- Financial and project management processes do not allow for a full and accurate account of actual project costs.
- Without knowing the full actual costs, it is not possible for government to assure Parliament that its ICT projects represent value for money.
- Two of the top three ICT projects—HealthSMART and RandL—were not initially reported in the survey responses.

Government is currently unable to account for its significant ICT expenditure and projects.

In relation to the second focus area – of examining whether ICT projects are being appropriately planned, managed and implemented – we found that getting information on the government's ICT projects is as complex and challenging as obtaining overall agency ICT spend.

Agencies and entities, in general, are unable to provide relevant information on their ICT projects.

We also found that financial and project management processes currently in place do not allow for full and accurate records of actual project costs.

Without knowing the full actual costs of ICT projects, it is not possible for the government to assure Parliament that its investment represents value for money.

It is noted that two of the three most expensive ICT projects—HealthSMART and RandL—were not initially reported by the relevant agencies. This information was provided after prompting by the audit team.

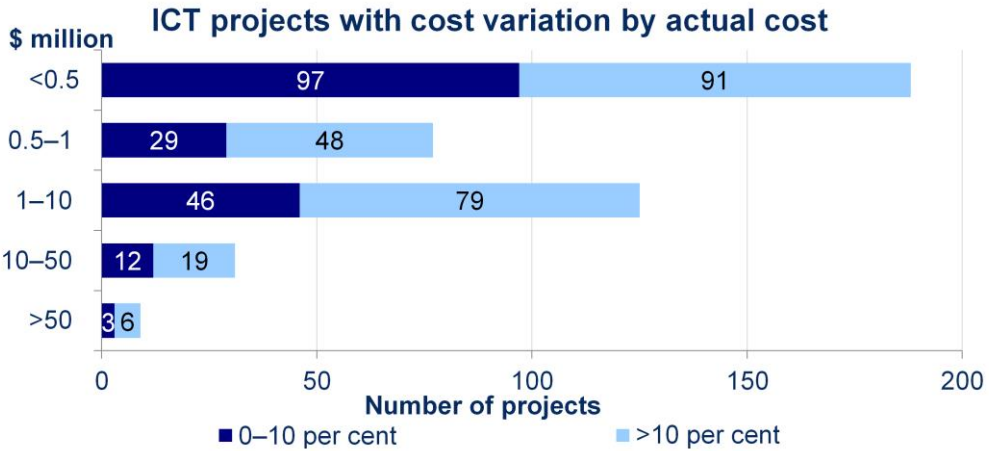
The government is currently unable to account for its significant ICT expenditure and projects.

ICT projects – continued

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- A total of 1 249 active ICT projects were reported by agencies.
- Nearly 35% of projects reported went over budget or are over budget prior to completion.



The audited agencies and entities reported a total of 1 249 active ICT projects during the financial periods 2011–12 to 2013–14. It should be noted that only projects over given thresholds were requested. Projects below the thresholds were reported in aggregate and not included in the number reported here.

Of the 1 249 active ICT projects, nearly 35 per cent went over budget or are over budget prior to their completion date.

This chart shows the cost variation of 430 ICT projects that are over budget.

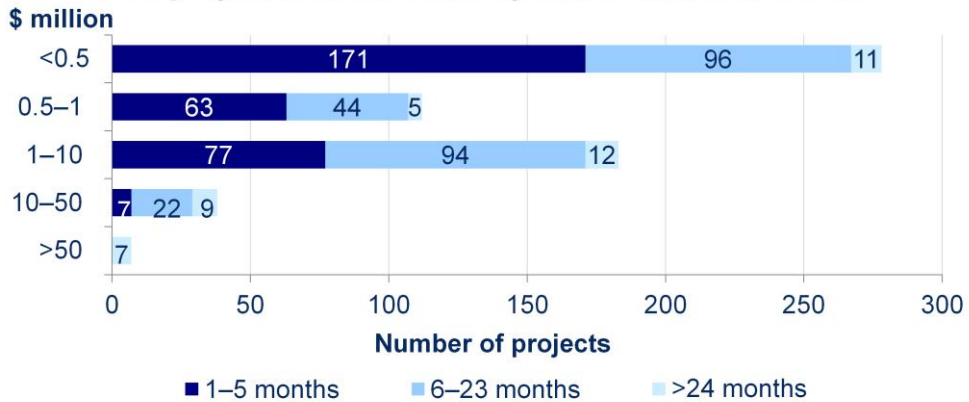
ICT projects – *continued*

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- Nearly half of the reported ICT projects were completed, or are expected to be completed, after their due dates.

ICT project time variation by actual cost and month



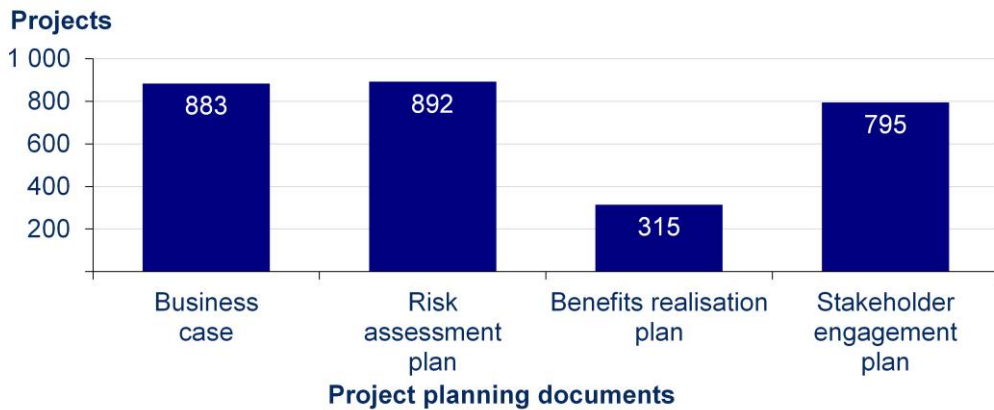
And, as shown in the chart on this slide, nearly half of these ICT projects were completed, or are expected to be completed, after their due dates.

ICT projects – continued

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- A business case was prepared for a little over 70% of ICT projects.
- Less than 25% of projects had a benefits realisation plan.
- Project evaluation to measure the achievement of expected benefits was minimal.



Of the 1 249 active ICT projects, a business case was prepared for a little over 70 per cent.

A review of a sample of these business cases revealed that only 38 per cent had the minimum required elements, such as financial analysis and expected benefits.

Less than 25 per cent of the 1 249 projects had a benefits realisation plan. Only 33 per cent of a reviewed sample effectively laid out the expected benefits and set out measures and targets for these.

Project evaluations to measure the achievement of expected benefits were found to be minimal.

ICT projects – *continued*

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Department secretaries, under DPC's guidance, need to work with their portfolio agencies to monitor ICT expenditure, and to plan, manage and implement their ICT projects.

Department secretaries, under DPC's guidance, need to work with their portfolio agencies to monitor ICT expenditure, and to plan, manage and implement their ICT projects.

Recommendations

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	Accept
That DPC:	
1. provides strategic leadership and guidance to agencies and entities on appropriately monitoring their ICT expenditure	✓
2. and the Department of Treasury and Finance, implement a mandatory framework for agencies and entities to report ICT expenditure in their annual reports	✓
3. publicly reports on government's ICT expenditure annually, aiming for efficiencies in the purchase and use of ICT.	✓
That department secretaries, under DPC's guidance and along with their portfolio agencies and entities:	
4. establish oversight of ICT expenditure	✓
5. monitor and record ICT expenditure.	✓

In total we made eight recommendations.

Recommendations have either been directed to DPC or to all department secretaries for their relevant portfolio agencies and entities.

As the department now responsible for the ICT portfolio, there is a need for DPC to provide strategic leadership and guidance to agencies and entities to ensure they appropriately record, report and monitor their ICT expenditure and projects.

We also recommend the Department of Treasury and Finance implement a mandatory framework that requires agencies to report on their ICT expenditure in their annual reports, similar to requirements in place for areas that have substantially less spent on them, such as government advertising.

Recommendations – *continued*

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		Accept
That DPC:		
6.	establishes a public-facing reporting mechanism that provides relevant project status information on ICT projects across the public sector	✓
7.	provides strategic leadership and guidance to agencies and entities on appropriately planning, managing and implementing their ICT projects.	✓
That department secretaries, under DPC's guidance and along with their portfolio agencies and entities:		
8.	appropriately plan, manage and implement their ICT projects.	✓

All recommendations have been accepted and remediation dates agreed. We will be following up the remediation of these actions as part of the Auditor-General's follow-up process.

Key messages

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Government is currently unable to account for its significant ICT expenditure and projects.

DPC needs to provide strategic leadership and effective guidance to accurately monitor and report on government's ICT spend.

Department secretaries, under DPC's guidance, need to work with their portfolio agencies to monitor ICT expenditure, and to plan, manage and implement their ICT projects.

To recap, the key messages from the audit are:

- that the government is currently unable to account for its significant ICT expenditure and status of projects
- this lack of accountability needs to be urgently addressed
- DPC needs to provide strategic leadership and effective guidance to accurately monitor and report on the government's ICT spend
- and, department secretaries, under DPC's guidance, need to work with their portfolio agencies to monitor ICT expenditure, and effectively manage their ICT projects.

Overall message

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Victorian agencies and entities are currently not in a position to assure Parliament and the Victorian community that its ICT investments have resulted in public value and justify the significant expenditure of taxpayers' money.

The overall message of the audit is that Victorian agencies and entities are currently not in a position to assure Parliament and the Victorian community that its ICT investments have resulted in value for money and justify the significant expenditure of taxpayers' money.

In May 2015, we will report on the current governance arrangements for ICT use in the Victorian Government. Governance weaknesses have been a recurring issue revealed in departments over many years and leadership in ICT is needed.

Relevant audits

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- *Using ICT to Improve Traffic Management (2014)*
- *Clinical ICT Systems in the Victorian Public Sector (2013)*
- *Learning Technologies in Government Schools (2012)*
- *Investing Smarter in Public Sector ICT: a better practice guide (2008)*

Relevant audits are listed on this slide.

Contact details

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For further information on this presentation please contact:

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