Digital Dashboard: Status Review of ICT Projects and Initiatives

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Digital Dashboard: Status Review of ICT Projects and Initiatives

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VAGO
Victorian Auditor-General's Office
Auditing in the Public Interest

The Hon Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon Telmo Languiller MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my report on the audit *Digital Dashboard: Status Review of ICT Projects and Initiatives*.

This audit provides a status review of selected public sector information and communications technology (ICT) projects and initiatives. In addition to examining performance, this audit focused on identifying how much is spent on ICT investments across the Victorian public sector.

Increasing transparency through this audit will potentially make it harder for underperforming projects to go unnoticed, and easier for the government to focus effort on the projects where it is most needed.

This report presents findings and conclusions on the first phase of the audit, in which agencies and entities were required to attest and certify the information they provided on their ICT projects and expenditure. A systematic audit on the accuracy of this data was not within the scope of this first audit phase.

In future years and as part of this audit, I will undertake a rolling program of more focused examinations of selected ICT projects. Projects will be selected on the basis of cost, scope and impact, as well as extent of delay and/or deviation from the initial project approvals.

Yours faithfully

John Doyle
Auditor-General

15 April 2015

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John Doyle
Auditor-General

The Victorian public sector does not have a good track record with information and communications technology (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.

Despite this, there is no strategic central agency leadership or effective oversight across government. In the 18 months I have been Auditor-General in Victoria, responsibility for the ICT portfolio has been transferred twice—from the Department of Treasury and Finance to the former Department of State Development, Business and Innovation and now to the Department of Premier and Cabinet.

No agency collates information on ICT expenditure and projects across the sector, and agencies and entities are unable to comprehensively provide this information. This lack of accountability is serious and needs to be addressed urgently.

I am also particularly disturbed that the certified and attested information submitted by agencies and entities for this report is, in some instances, clearly incomplete and inaccurate. It should not be my responsibility as Auditor-General to seek basic information from 417 agencies and entities on their ICT spend and projects. But because the central agencies tasked to provide effective leadership have not taken on this responsibility, and particularly because no public value has been shown for significant ICT investments, I have come in to seek accountability.

While many smaller entities welcomed and supported the audit objectives from the onset, I found it concerning that a number of larger agencies initially questioned the benefit of identifying and reporting their ICT expenditure and determining the status of their ICT projects.

It is my intention that one outcome of this audit will be to make it harder for underperforming projects to go unnoticed, and easier for government to focus effort on the projects where it is most needed.

It seems incongruous that there are financial reporting directions requiring agencies to report on their consultancy and government advertising spend and yet there is none for ICT, which costs government significantly more.

It is also my intention that this audit will assist Victorian agencies and entities to better monitor and record their ICT projects and expenditure. In so doing, I will be in a better position to assess whether significant ICT investments have delivered public value.

I urge the Department of Premier and Cabinet, as the agency now responsible for the leadership of ICT use in the Victorian Government, to task agencies and entities across all sectors to better account for the significant expenditure of taxpayers funds for ICT projects.

Audit team

Karen Phillips
Engagement Leader

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Analyst

Engagement Quality Control Reviewer

Tony Brown

Next month, I will report on this situation and describe the current governance arrangements and impact. Governance weaknesses have been a recurring issue revealed in departments over many years. Leadership in this aspect of ICT is needed.

This audit does not end here. In subsequent reports, I will focus on examinations of the performance of selected ICT projects. The survey component of the audit will also be repeated periodically to ensure that the information collected remains current and relevant.

John Doyle
Auditor-General

April 2015

Audit summary

A 2010 industry report estimated the Victorian Government's information and communications technology (ICT) expenditure at $1–$1.5 billion per year. This audit revealed that the actual overall spend is significantly greater.

Despite this significant expenditure, information on the status and outcomes of public sector ICT initiatives is currently difficult to obtain. Most agencies and entities provide little, if any, public information specifying these details.

This lack of transparency means that it is difficult to determine whether ICT investments have enhanced government services or addressed the problems they were meant to resolve, and whether public resources have been spent in an efficient and effective manner.

This report provides a status review of selected public sector ICT projects and initiatives. In its first phase we asked agencies and entities to attest and certify information on their ICT projects and expenditure. A comprehensive assessment of the accuracy of this data was not within the scope of this audit.

In future years, VAGO will undertake a rolling program of more focused examinations of selected ICT projects, which we will select on the basis of cost, scope and impact, as well as the extent of any delays and/or deviations from the initial project approval.

Conclusion

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

Currently agencies and entities are not only unable to demonstrate the achievement of expected benefits from ICT investments, they are also, in general, unable to comprehensively report actual ICT expenditure, or the status of projects.

The difficulty many agencies had in providing basic information raises concerns about the current level of scrutiny they apply to the status and performance of ICT projects as part of their governance processes. Had agencies been properly monitoring their investments, the information sought for this audit would have been readily available.

This audit also confirms that weaknesses previously reported on by VAGO in ICT project planning and delivery continue unabated.

Findings

ICT expenditure

There is no central data gathering, monitoring or reporting on ICT spend across the public sector.

The information provided for this audit indicates that in 2011–12, 2012–13 and 2013–14, the average annual ICT expenditure of Victorian government agencies and entities was $3.02 billion. This is 4.3 per cent of the average annual state operating expenditure of $71.04 billion.

The average annual expenditure of $3.02 billion is between double and three times the 2010 published estimate of $1–$1.5 billion. Even so, we consider $3.02 billion to be a conservative figure because survey responses on overall ICT expenditure did not include:

- the former Department of Transport, Planning and Local Infrastructure 2011–12 expenditure
- Public Transport Victoria's 2011–12, 2012–13 and 2013–14 expenditure on the $738.8 million myki Ticketing Solution project.

Many agencies acknowledged that they were unable to provide complete information on all the requested cost components. Reasons given for this include:

- decentralised ICT management and functions which require coordination across numerous disparate business units within an agency
- current financial and project management practices not monitoring all elements of ICT costs, such as internal staff costs, infrastructure cabling and research
- recent agency/entity 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 agency.

The average ICT capital expenditure for the three financial years was $0.72 billion, which is 24 per cent of the total average expenditure across government. The average ICT operational expenditure for the same period was $2.30 billion, or 76 per cent of the total spend.

The former Department of Education and Early Childhood Development (DEECD) and Victoria Police were consistently the top two spenders across the three financial years at an average of $256.3 and $213.6 million per year, respectively. DEECD’s average annual spend is 8.5 per cent of the $3.02 billion average total annual ICT expenditure.

The top 6 per cent of agencies in terms of ICT spending, account for 66 per cent of total annual costs, and the top 11 per cent account for 80 per cent.

ICT projects

While obtaining overall agency ICT spend is a difficult exercise, getting information on ICT projects is even more challenging. Agencies and entities indicated that the issues that prevent comprehensive reporting on ICT spend equally apply to ICT projects.

Contributing factors that make it even more difficult to obtain ICT project information include:

- 'cutting up' projects into various sub-projects
- changes to project titles during their life
- the transfer of project management responsibility from one agency to one or more other agencies
- having another agency or organisation manage the projects.

The current financial and project management processes do not make it possible for government to provide a full and accurate account of actual project costs—particularly those of significant ICT projects. Without knowing the full actual costs, it is not possible for government to assure Parliament and the Victorian community that its ICT projects represent value for money.

Two of the three most expensive ICT projects—Health*SMART* and Registration and Licensing (RandL) Program—which had a total initial cost of $481.5 million, were not initially included by agencies in their responses even though they are clearly within the scope of the survey. Further, the initial project cost for the most expensive ICT project, the myki Ticketing Solution was only partially reported. At the request of the audit team, information on these projects was subsequently provided by the former Department of Health, VicRoads and Public Transport Victoria, respectively.

The former Department of State Development, Business and Innovation's ICT project status dashboard, published in December 2014, failed to deliver sufficient information and transparency because it only included minimal high-level information for six High-Value High-Risk ICT projects.

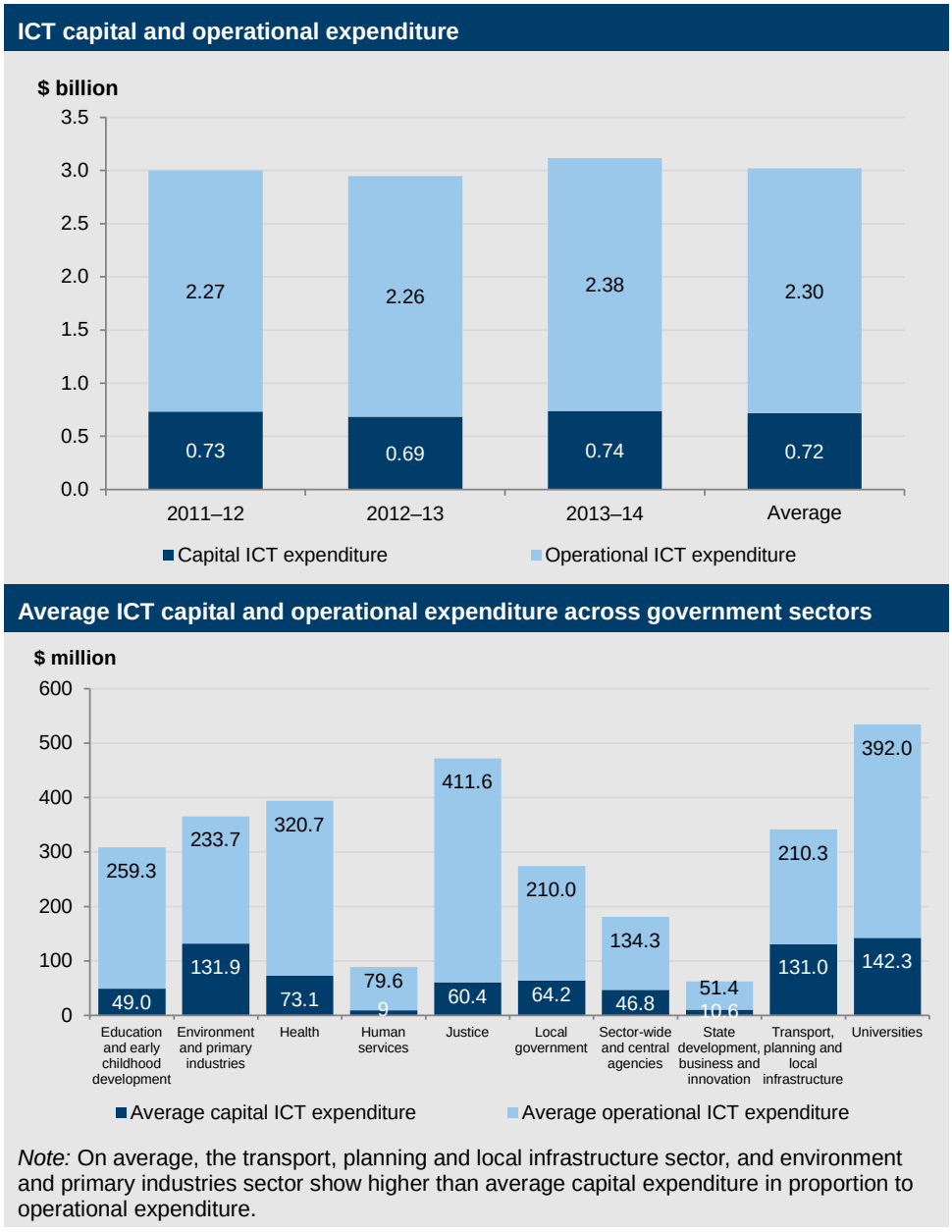
Agency reported and attested survey responses showed several issues:

- Nearly 35 per cent of the 1 249 projects reported went over budget or are over budget prior to completion. Of these, only 70 per cent are completed.
- Nearly half of the reported ICT projects were completed, or are expected to be completed, after their initially planned completion dates.
- A business case was prepared for a little over 70 per cent of ICT projects but our review of a sample revealed that only 38 per cent of business cases had the minimum required elements, such as financial analysis and expected benefits.
- A quarter 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.

- Very few agencies measure the effectiveness of their ICT projects. This means that it is very difficult to obtain consistent and meaningful data on benefits realisation for management purposes. Of the 788 completed projects, a little over 10 per cent have had their expected benefits assessed.

At a glance

Figure A
ICT expenditure in the Victorian Government

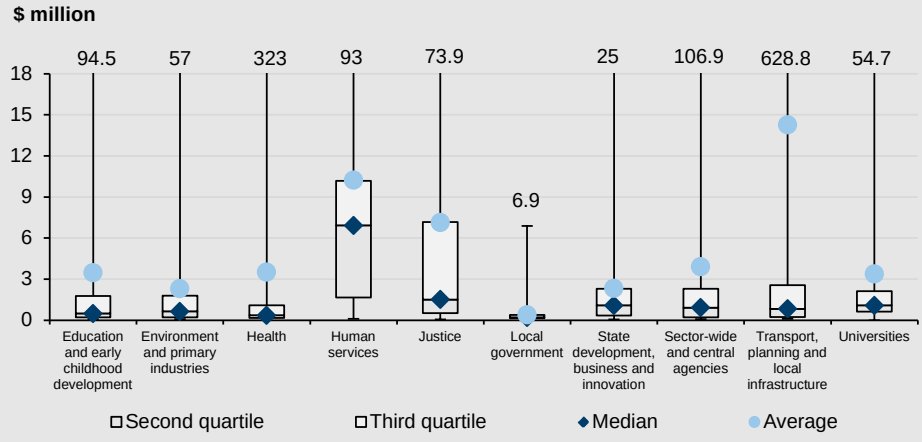


Note: On average, the transport, planning and local infrastructure sector, and environment and primary industries sector show higher than average capital expenditure in proportion to operational expenditure.

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

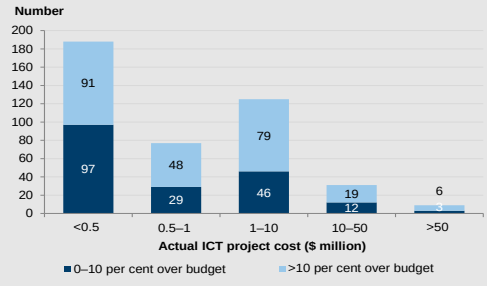
Figure B
ICT projects in the Victorian Government

Median and average ICT project costs across government sectors



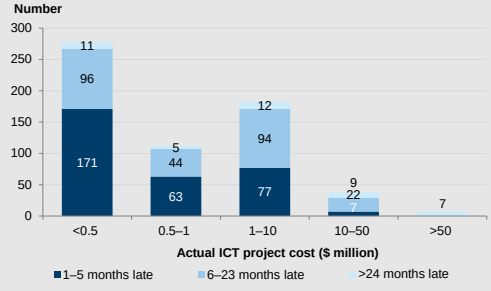
Note: Most of the 1 249 ICT projects reported cost less than $3 million, with the exception of the human services sector.

Cost variation of ICT projects



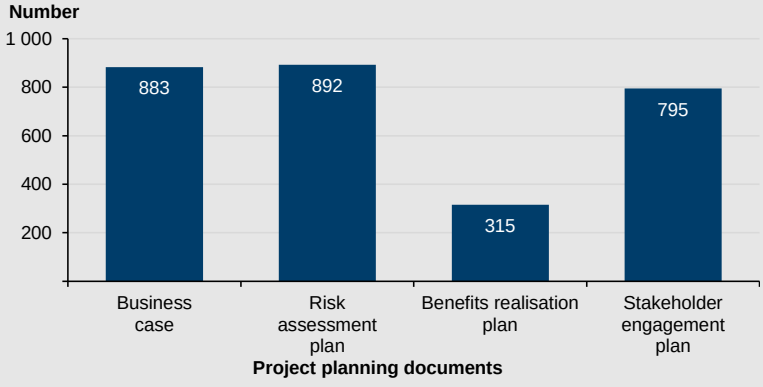
Note: Nearly 35 per cent of all 1 249 projects reported went over budget, or are over budget prior to completion.

Time variation of ICT projects



Note: Nearly half of reported ICT projects were either completed, or are expected to be completed, after their initially planned completion dates.

Planning documents prepared for ICT projects



Note: Business cases were prepared for a little more than 70 per cent of reported ICT projects and 25 per cent of projects had benefits realisation plans.

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Recommendations

Number	Recommendation	Page
That the Department of Premier and Cabinet:		
1.	provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately and comprehensively monitoring their information and communications technology expenditure	28
2.	together with the Department of Treasury and Finance, considers and implements an appropriate, consistent and mandatory monitoring and disclosure framework for Victorian agencies and entities to better record and report their overall information and communications technology expenditure in their annual reports, similar to the current disclosure framework for consultancies and government advertising	28
3.	publicly reports, on an annual basis, on government's information and communications technology expenditure and uses this information to aim for efficiencies in the purchase and use of information and communications technology.	28
That department secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to:		
4.	establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division	28
5.	appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.	28
That the Department of Premier and Cabinet:		
6.	establishes a public-facing reporting mechanism that provides relevant project status information on ICT projects across the public sector—key metrics and project information to be included in this reporting should include, but not be limited to costs, time lines, governance, and benefits realisation	56
7.	provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately planning, managing and implementing their information and communications technology projects.	56
That department secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to:		56
8.	appropriately plan, manage and implement their information and communications technology projects.	56

Submissions and comments received

We have professionally engaged with 417 agencies and entities throughout the course of the audit. In accordance with section 16(3) of the *Audit Act 1994* we provided a copy of this report, or relevant extracts to relevant agencies and requested their submissions or comments.

We have considered those views in reaching our audit conclusions and have represented them to the extent relevant and warranted. Their full section 16(3) submissions and comments are included in Appendix A.

1 Background

1.1 Introduction

A 2010 report by industry consulting group Ovum, estimated the Victorian Government's information and communications technology (ICT) expenditure at $1–$1.5 billion per year. This audit revealed that the actual overall spend is significantly greater.

Knowing the status and outcomes of public sector ICT initiatives is currently difficult. Despite significant expenditure in ICT, most agencies and entities provide little, if any, public information specifying their activities and spend.

This lack of transparency makes it difficult to determine whether ICT investments have enhanced government services and whether public resources have been spent in an efficient, effective and economical way.

It therefore raises the question of whether the Victorian Government's use of ICT has resulted in sufficient public value to justify the expenditure of taxpayers' money.

1.2 Digital dashboard

Following the concept of a car dashboard, a digital dashboard is a reporting tool that presents key metrics in an easy to interpret visual interface. It provides a bird's-eye view of key up-to-date information on ICT projects and initiatives.

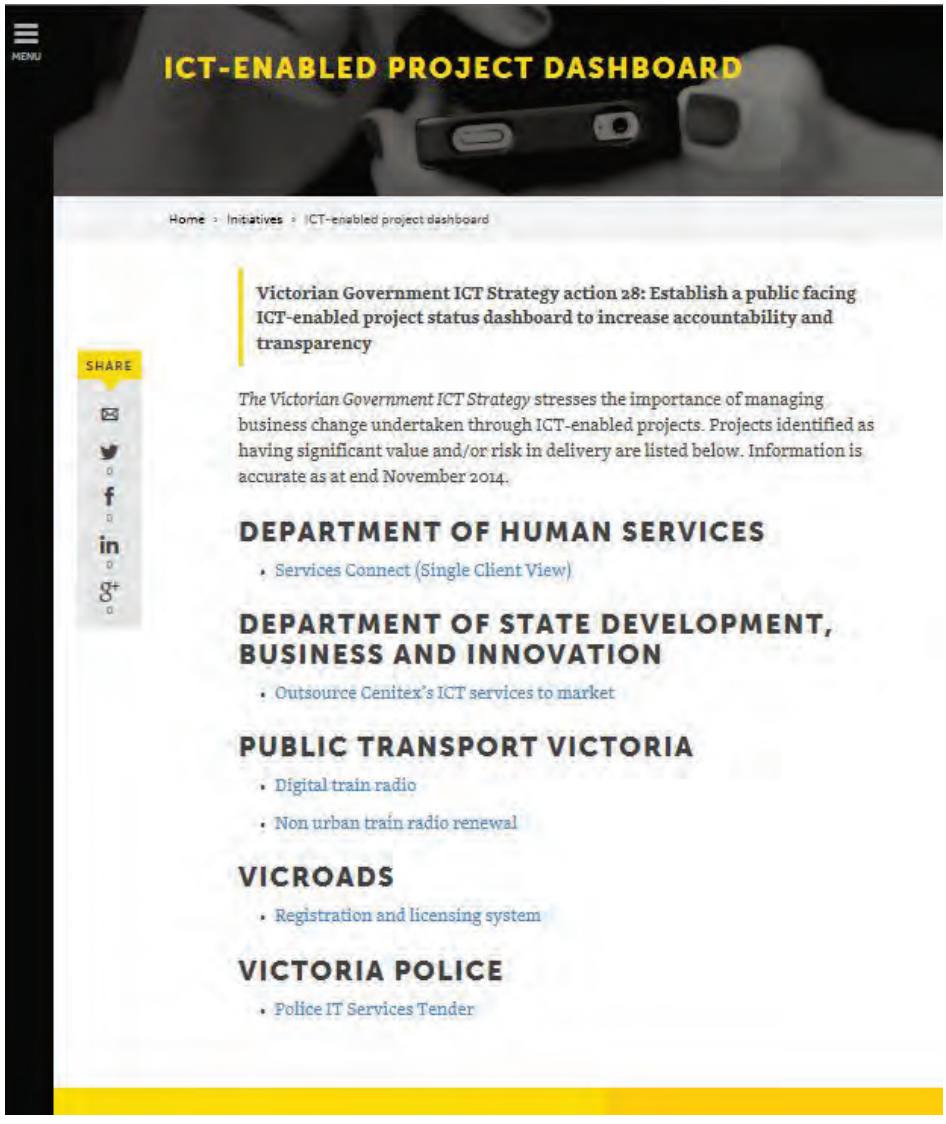
The transparency provided by a digital dashboard can reveal emerging trends in ICT expenditure and make it harder for underperforming projects to go unnoticed, and easier for the government to focus efforts on projects where it is most needed.

1.2.1 ICT reporting in the Victorian Government

The previous government's 2013 *Victorian Government ICT Strategy* required the publication of an ICT project status dashboard. The indicated purpose is 'to increase accountability and transparency'.

The former Department of State Development, Business and Innovation first published this status dashboard on its website in late December 2014, as shown in Figure 1A. Unfortunately, this dashboard was limited to high-level information on six High-Value High-Risk ICT projects. The dashboard did not provide any information on project budgets, actual expenditure or the status of benefits realisation.

Figure 1A
Victorian Government 'ICT-enabled project dashboard'



Source: http://www.digital.vic.gov.au/initiatives/project-dashboard/ as at 10 February 2015.

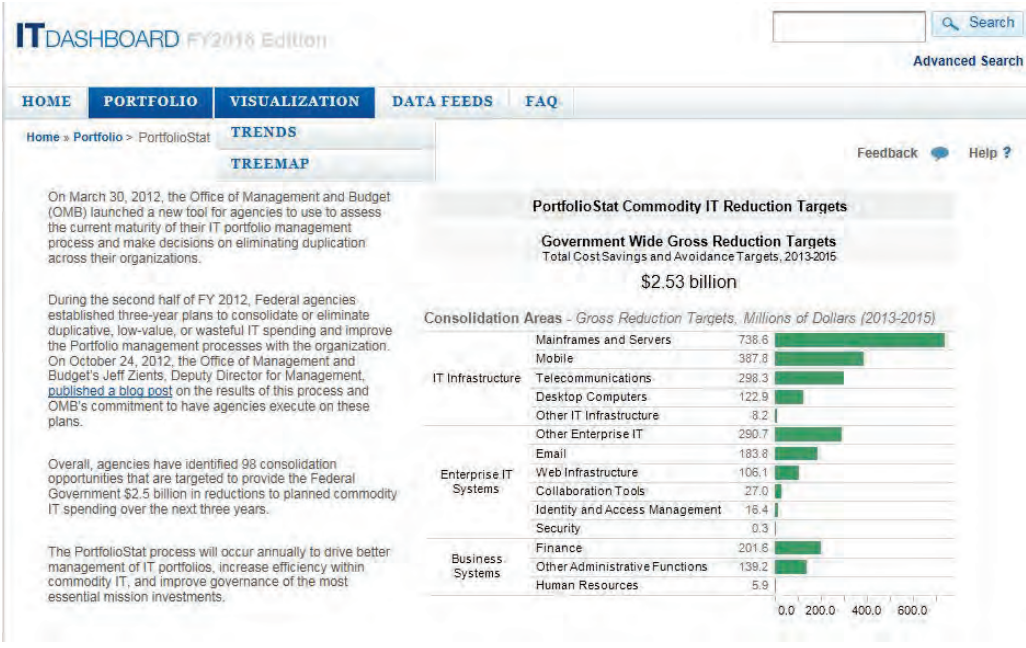
Following January 2015 machinery-of-government changes, the Department of Premier and Cabinet assumed responsibility for ICT in government. No other reporting, either on ICT expenditure or ICT projects, is currently being undertaken in the Victorian Government.

1.2.2 Digital dashboards in other jurisdictions

Some governments in other jurisdictions have acknowledged the need to provide greater visibility of their ICT projects and activities. For example, the United States (US) and Netherlands governments have been publishing digital dashboards since 2009 and 2011, respectively. In Australia, the Queensland Government released its first digital dashboard in August 2013.

The purpose of the US dashboard is to make public the performance of and spending on government information technology (IT) investments. When a project is over budget or behind schedule, information is provided not only on the extent of the delay or budget overrun, but also on the government officers responsible for the project, including their contact details and photographs.

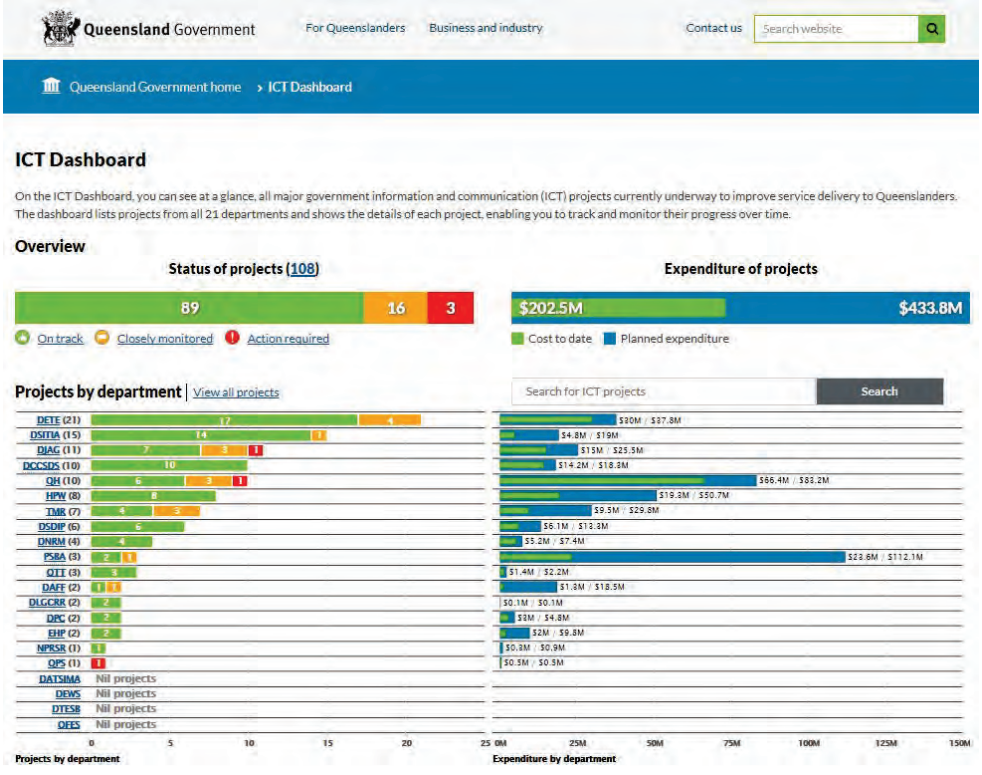
Figure 1B
United States Federal Government 'IT dashboard'



Source: https://itdashboard.gov/portfolio_stat as at 10 February 2015.

The Queensland Government's ICT dashboard monitors the progress of major ICT projects over time.

Figure 1C
Queensland Government 'ICT dashboard'



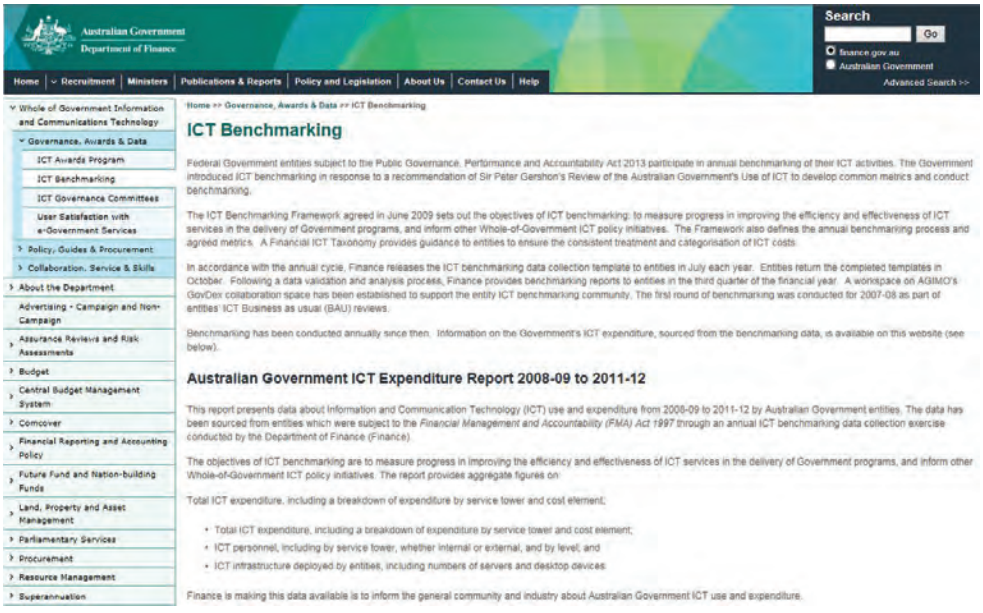
Source: http://www.qld.gov.au/ictdashboard/ as at 10 February 2015.

By providing this information, these governments aim to benefit from increased trust and transparency, and to improve internal efficiency and effectiveness in the management and use of ICT projects.

In addition to providing transparency on the status of ICT projects and initiatives, some governments also publish information on their overall ICT expenditure.

According to the US digital dashboard, US federal agencies spent a total of US$75.7 billion on ICT in 2012. The Australian Government also reports on its total ICT expenditure, which was A$5.97 billion in 2011–12. The New South Wales government spent a total of A$2.07 billion during the same period.

Figure 1D
Australian Government 'ICT benchmarking'



Source: http://www.finance.gov.au/governance-awards-data/ict-benchmarking/ as at 10 February 2015.

Other than for transparency purposes, the objectives of providing comprehensive ICT expenditure data include:

- providing a baseline, and monitoring changes in expenditure over time
- identifying opportunities for improvement and gains in efficiency
- benchmarking agency performance through transparent and comparable reporting.

1.3 Previous VAGO ICT reports

Previous ICT-focused VAGO audits found weaknesses in the planning, management and implementation of ICT projects.

In 2008, VAGO published *Investing Smarter in Public Sector ICT*, a better practice guide aimed at senior officers accountable for ICT projects. This guide presents good practice principles on ICT investment across the ICT life cycle, from creating an initial understanding of the organisational need for an ICT investment, to carrying out a final review of the outcomes of that investment.

More recently, the 2012 *Learning Technologies in Government Schools* audit identified a number of serious probity, procurement and financial management issues surrounding the Ultranet project. The audit found that the former Department of Education and Early Childhood Development's tender process lacked rigour and was seriously flawed. There was little confidence in the costing and financial management practices around the Ultranet project, and limited assurance that the selected outcome represented value for money.

In 2013, the *Clinical ICT Systems in the Victorian Public Health Sector* audit reported that the former Department of Health failed to complete the expected implementation of clinical ICT systems due to poor planning and an inadequate understanding of the system requirements. It was found that the department significantly underestimated project scope, costs and time lines, as well as the required clinical and other workflow redesign and change management efforts.

In June 2014, the *Using ICT to Improve Traffic Management* audit found that there is no strategy or coordinated plan to use ICT traffic management systems to complement broader integrated transport and land-use initiatives. This means that aspirations for more sustainable road use and urban planning are not being directly supported and put into operation by technology solutions.

1.4 Audit objective and scope

The audit examined whether Victorian public sector agencies and entities are appropriately planning, managing and implementing selected ICT projects in terms of:

- time
- cost
- benefits realisation
- governance.

It also looked into how much is spent on ICT across the Victorian public sector for the period 2011–12 to 2013–14.

The majority of the agencies and entities of the Victorian public sector, 417 in all, were included in phase one of this audit.

System functionality and performance will be examined in phase two of this audit.

An audit of this scope and methodology has not been previously undertaken by VAGO. This is intended to be a continuous and ongoing audit with a series of reports to be tabled in Parliament across the next three financial years.

Subsequent to the audit survey and prior to the tabling of this report, the January 2015 machinery-of-government changes realigned portfolio responsibilities for some agencies and entities.

For the purposes of this report, agencies and entities will be considered as they were prior to the machinery-of-government changes.

1.5 Audit method and cost

This audit involves two phases. This report covers the results of phase one. Subsequent reports will cover findings and conclusions from phase two.

Upon the discretion of the Auditor-General, subsequent reports may also be prepared to further cover the results from phase one.

The audit was conducted in accordance with section 15 of the *Audit Act 1994* and Australian Auditing and Assurance Standards. Pursuant to section 20(3) of the *Audit Act 1994*, any persons named in this report are not the subject of adverse comment or opinion.

The cost of the audit was $580 000.

1.5.1 Phase one

Four hundred and seventeen Victorian public sector agencies and entities completed an online survey requesting information on two main areas:

- total overall ICT spend
- relevant ICT projects and initiatives including time, cost, delivery, governance, and performance.

Agencies and entities were requested to consult widely within their organisations, not only with their ICT units, so they could submit relevant and comprehensive information.

A formal self-attestation on the data submitted was required prior to completing the survey. All 417 agencies and entities submitted self-attested information.

A pilot survey was initially conducted on a sample of agencies and entities to confirm and refine the survey. Information and engagement sessions were then held in Melbourne, Bendigo and Wangaratta to assist agencies and entities to prepare for the survey. Following this, the survey was conducted on all 417 agencies and entities. The survey component of the audit will be repeated periodically to ensure that the information collected remains current and relevant.

Defining ICT terms

A widely agreed definition of ICT, ICT projects and the costs attributable to these currently does not exist across the Victorian public sector. For the purpose of this audit, the following definitions were used.

ICT

Any technology that stores, retrieves, manipulates, transmits or receives information electronically or in a digital form. It includes communication devices or applications, computer hardware, software, network infrastructure, video conferencing technology, telephones and mobile phones.

ICT projects

Any project or initiative where ICT investment is fundamental to achieving the agreed objectives, benefits or outputs. ICT projects have a defined start and end, and focus on delivering:

- technological change or business capability and may extend to information management, information security or infrastructure improvements, e.g. upgrades, asset replacement, etc.
- a government strategy or program where ICT is used in whole or in part to effect change and/or deliver outputs and outcomes and/or realise benefits, including business change—not necessarily technological in nature, e.g. business process improvement, community engagement, legislative policy.

Cost elements of ICT expenditure

There are several cost elements included in ICT expenditure:

- **Hardware expenditure**—expenditure on purchasing, leases, maintenance and repair for all physical ICT equipment, such as servers, PCs, terminals, printers, peripherals, printing equipment, networking and telecommunications equipment, materials, accessories and disaster recovery hardware.
- **Software expenditure**—expenditure on licences, as well as repair and maintenance for external and standard software, systems software, and standard office productivity applications.
- **Services outsourced to external providers.**
- **External personnel expenditure**—external personnel are staff who provide services on a time and materials basis. These staff are generally contractors, but may also be described as consultants.
- **Internal personnel expenditure**—for all internal Victorian public service staff involved in ICT activities, including all wages and salaries, provisions for staff entitlements and staff on-costs.
- **Carriage**—the costs of providing digital or analogue electronic impulses, including data, voice or video, over a distance.
- **Other expenditure**—expenditure on occupancy, facilities, utilities and other ICT spend not captured in other cost element categories.

Specific guidance was provided stating that expenditure to be reported should:

- include all research, planning, development, risk assessment, design, prototyping, tendering, implementation, maintenance, support, operational and management costs
- not be limited to the central ICT division—or equivalent—but should include agency-wide ICT expenditure
- include actual spend on all the cost elements, as detailed above.

VAGO ICT dashboard

Some of the results of this audit will be presented on the VAGO website.

1.5.2 Phase two

A rolling program of closer examinations of selected ICT projects will be undertaken in subsequent years.

Projects will be selected on the basis of cost, scope and impact, as well as extent of delay and/or deviation from the initial project approval. These projects will be examined in greater detail to assess governance effectiveness and whether the potential benefits were realised. A qualitative review of functionality outcomes and the likely achievement of expected benefits will be attempted if sufficient data is available.

1.6 Report structure

The report is divided into two further parts:

- Part 2 discusses overall ICT expenditure
- Part 3 discusses ICT projects.

2 ICT expenditure

At a glance

Background

This part examines the information and communications technology (ICT) expenditure data provided by all 417 agencies included in the audit.

Conclusion

Victorian agencies and entities are currently not in a position to assure Parliament and the Victorian community that ICT investments have resulted in public value.

The current financial and management processes do not enable comprehensive reporting on actual ICT expenditure across the public sector.

Findings

- There is no central data gathering, monitoring and reporting on ICT spend across the public sector.
- Agency reported and attested information indicates that for 2011–12, 2012–13 and 2013–14, the average annual ICT expenditure of agencies and entities was $3.02 billion, which is 4.3 per cent of average annual state operating expenditure of $71.04 billion.
- This ICT spend of $3.02 billion is between double and three times the 2010 industry estimate of $1–$1.5 billion. Even so, we consider $3.02 billion to be a conservative figure.

Recommendations

That the Department of Premier and Cabinet:

- provides strategic leadership and effective guidance on appropriately and comprehensively monitoring agencies and entities ICT expenditure.
- together with the Department of Treasury and Finance, considers and implements a mandatory monitoring and disclosure framework for agencies to record and report their overall ICT expenditure in their annual reports.

That department secretaries work with agencies and entities within their portfolio responsibilities to establish agency-wide oversight of their ICT expenditure.

2.1 Introduction

This part examines the information and communications technology (ICT) expenditure data provided by all 417 agencies included in the audit.

Surveyed agencies and entities were asked to provide data on their overall ICT expenditure (exclusive of GST) for the past three financial years—2011–12, 2012–13 and 2013–14. Universities, technical and further education institutes and other entities that follow the calendar year, reported expenditure for 2011, 2012 and 2013. These have been aggregated with data received for 2011–12, 2012–13 and 2013–14, respectively.

Agencies were also asked to separately identify the capital expenditure and operational expenditure components of their overall ICT expenditure over the same period.

2.2 Conclusion

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

In general, the current financial and management processes do not enable comprehensive reporting on actual ICT expenditure across the public sector. Many agencies found it difficult to provide basic information.

2.3 Information on ICT expenditure

Obtaining information on ICT spend across the Victorian public sector is a complex and challenging exercise. Many agencies found it difficult to provide basic information, acknowledging that the processes currently in place do not enable comprehensive reporting on actual ICT spend.

Had agencies been applying regular high-level scrutiny on their investments, the information sought for this audit would have been readily available.

2.3.1 Difficulty in accessing information

While many smaller entities welcomed and supported the audit, many larger agencies indicated that providing the requested information would be particularly onerous and resource intensive, and questioned the benefit of identifying government's ICT spend and determining the status of ICT projects.

Agencies highlighted that pertinent information was unavailable due to:

- decentralised ICT management and functions which require coordination across numerous and disparate units within the agency
- current financial and project management practices not monitoring all elements of ICT costs, such as internal staff costs, infrastructure cabling and research
- 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.

There is no consolidated reporting on overall public sector ICT expenditure in Victoria. This information is not collated by either the Department of Treasury and Finance (DTF) or the Department of Premier and Cabinet (DPC).

There is also no specific central agency guidance or leadership provided to agencies and entities on how they should comprehensively monitor and appropriately record their ICT expenditure.

Consequently, no agency within the Victorian Government is currently in a position to provide basic information on ICT expenditure across the sector. This gap in accountability needs to be addressed urgently.

Current Financial Reporting Directions require the inclusion of government advertising and consultant expenditures in annual reports, which are considerably less than ICT expenditure. In February 2012, the *Government Advertising* audit reported that total spend for advertising was $220 million and $257 million in 2008–09 and 2009–10, respectively. There is no reason why ICT expenditure, which was in excess of $3 billion in 2013–14, should not be similarly reported.

As the agency responsible for the use of ICT in the Victorian Government, DPC should exercise strategic leadership and effective oversight in this area.

2.3.2 No agreed definitions

Another reason for the unavailability of pertinent information is that there are no widely agreed definitions of ICT or of ICT projects or their attributable costs, across the Victorian public sector.

These are currently regarded as rather ambiguous concepts resulting in inconsistencies across and within agencies on which cost components and what project information is monitored and recorded.

2.3.3 The business value of ICT activities

The Victorian Government, in general, and agencies in particular, need to be committed and deliberate in recording and maintaining information on their ICT expenditure. Parliament and the Victorian community rightly expect that the expenditure of public funds is being appropriately monitored and recorded.

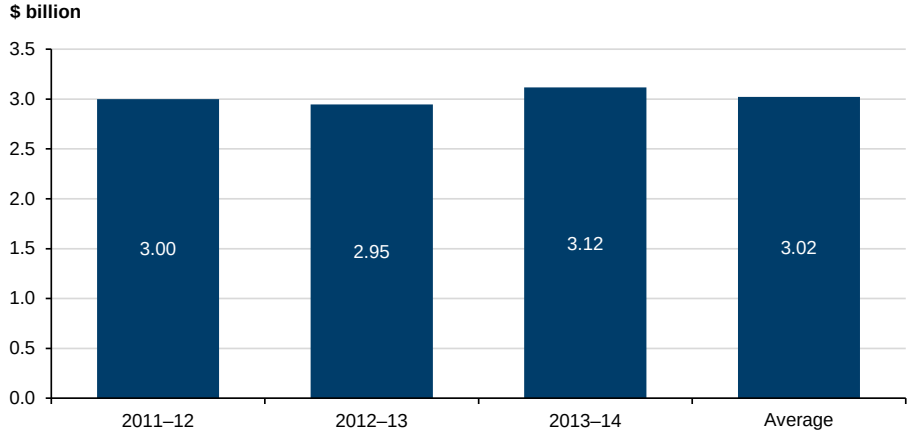
In addition to the obvious transparency requirements of good government, effective monitoring and recording of actual ICT expenditure will assist Victorian public sector agencies to understand the true business value of their ICT activities.

It is not possible for government to demonstrate the public value of its ICT investments when it cannot accurately report on the actual cost.

2.4 Aggregated overall ICT spend

Agency reported and attested information indicates that for the financial years 2011–12, 2012–13 and 2013–14, the average annual ICT expenditure of Victorian Government agencies and entities was $3.02 billion. This is 4.3 per cent of the average annual state operating expenditure of $71.04 billion. Figure 2A shows the total ICT expenditure for each of the three financial years.

Figure 2A
ICT expenditure in the Victorian Government

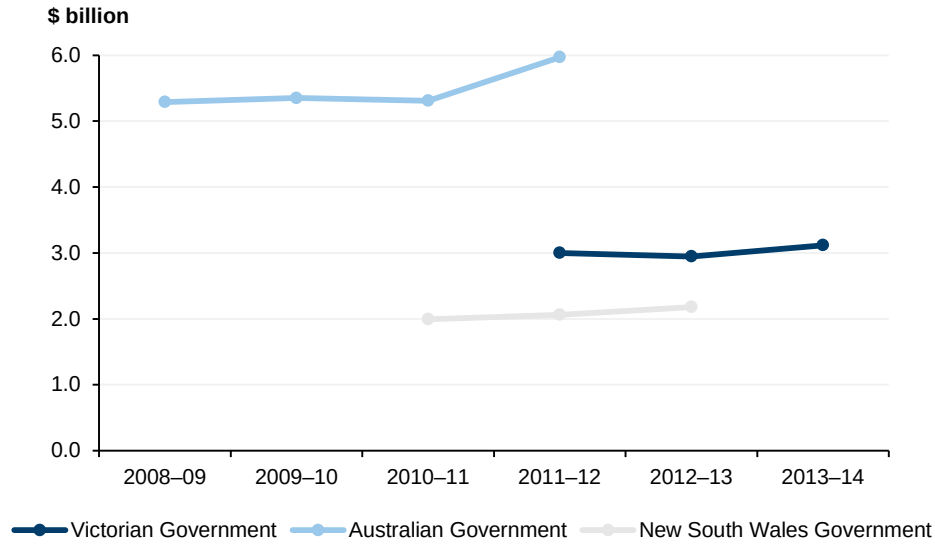


Note: VAGO believes the reported expenditure is lower than actual figures. Expenditure not reported in survey responses include the former Department of Transport, Planning and Local Infrastructure's 2011–12 overall ICT expenditure, and Public Transport Victoria's 2011–12, 2012–13 and 2013–14 expenditure on the $738.8 million myki Ticketing Solution project. Please refer to Section 2.4.1.

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

In comparison, as shown in Figure 2B, the Australian and New South Wales governments reported a total ICT expenditure of $5.97 billion and $2.06 billion respectively in 2011–12.

Figure 2B
ICT expenditure in selected jurisdictions



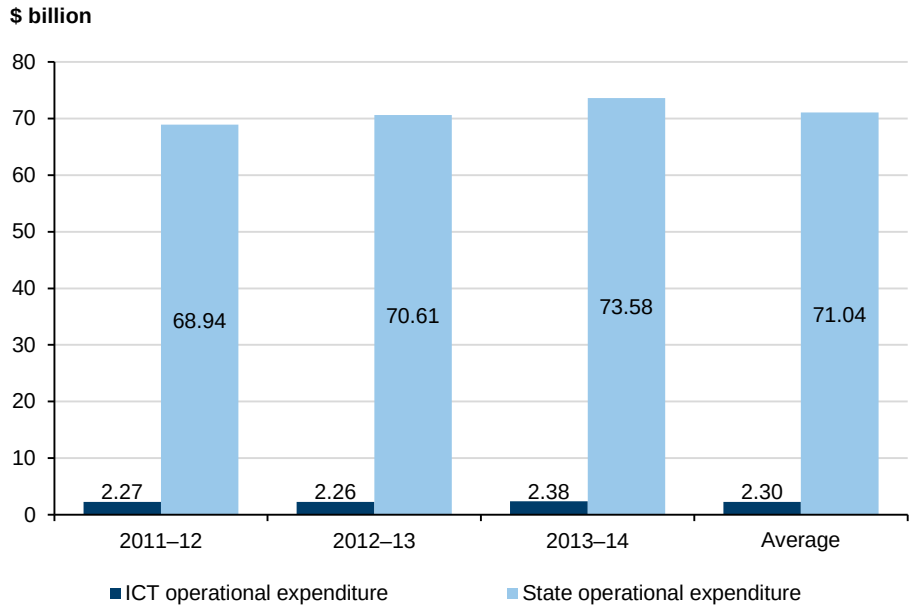
Note: The 2010–11, 2011–12 and 2012–13 New South Wales figures cover 67, 61 and 58 agencies respectively, equating to '95 per cent of total agency expenditure'.

Note: The Australian Government data covers agencies subject to the Commonwealth *Financial Management and Accountability Act 1997*.

Source: Australian Government ICT Expenditure 2008–09 to 2011–12 Report, Victorian Auditor-General's Office survey of 417 agencies, 2014 and Report on the NSW Government ICT Survey 2010–11 to 2012–13.

Figure 2C compares the Victorian Government's ICT expenditure against total state expenditure for each of the three relevant financial years. The average annual ICT operating expenditure of $2.30 billion is 3.2 per cent of the total average annual state operating expenditure of $71.04 billion.

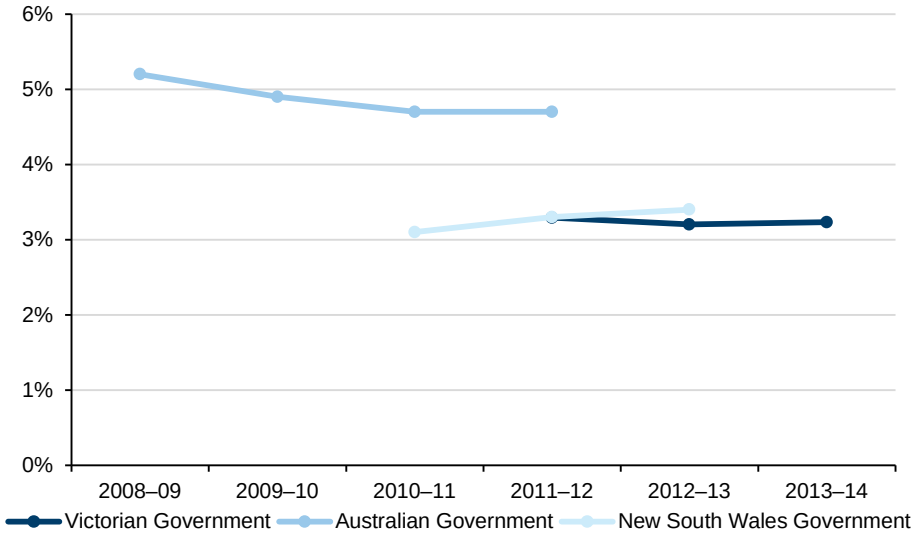
Figure 2C
ICT operating expenditure compared to total operating expenditure in the Victorian Government



Note: The annual state operating expenditure constitutes the annual State Budget as indicated in the State Financial Report, plus the annual operating expenditure for local councils and universities, including their respective subsidiaries.
Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 2D shows that the Australian Government spent, on average, 4.9 per cent of its expenditure on ICT in 2008–09 to 2011–12. The New South Wales Government spent 3.3 per cent in 2010–11 to 2012–13 and the Victorian Government spent 3.2 per cent in 2011–12 to 2013–14.

Figure 2D
ICT expenditure as a proportion of total expenditure in selected jurisdictions



Note: The figures for Victoria and the Australian Government consider only total operating expenditure, whereas that for NSW includes both capital and operational expenditure.
Note: The 2010–11, 2011–12 and 2012–13 NSW figures cover 67, 61 and 58 agencies respectively, equating to '95 per cent of total agency expenditure'.
Note: The Australian government data covers agencies subject to the Commonwealth *Financial Management and Accountability Act 1997*.
Source: Australian Government ICT Expenditure 2008–09 to 2011–12 Report, Victorian Auditor-General's Office survey of 417 agencies, 2014, Report on the NSW Government ICT Survey 2010–11 to 2012–13.

2.4.1 Conservative estimate

The average annual ICT spend of $3.02 billion is between double and three times the 2010 industry estimate of $1–$1.5 billion.

Even so, we consider $3.02 billion to be a conservative figure because many agencies noted that that they were unable to obtain complete information on all the requested cost components.

Public Transport Victoria (PTV), for example, advised that expenditure for the $738.8 million myki Ticketing Solution project was not included in PTV's survey response for overall ICT spend for 2011–12, 2012–13 and 2013–14.

Moreover, the former Department of Transport, Planning and Local Infrastructure, citing difficulties in obtaining expenditure information because of the April 2013 machinery-of-government changes, did not provide information for the 2011–12 financial year. Mergers of several entities have also meant that financial data for some previously existing entities was no longer available.

Some agencies also acknowledged that some of the cost components requested were not separately costed or tracked and were therefore not included in the reported overall spend.

2.4.2 Agencies with no ICT expenditure

Thirty-four, or 8 per cent, of the 417 agencies surveyed reported that they had no ICT-related expenditure for the three relevant financial years. Most of these are subsidiary corporations, which reported that parent entities provide their ICT assets and services at no expense.

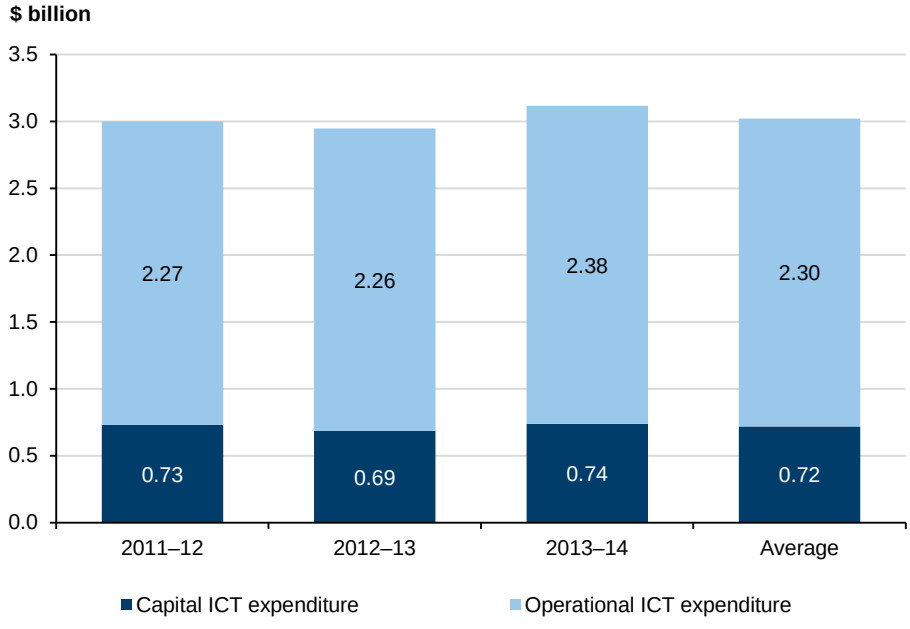
A further four agencies reported minimal total spend of between $3 000 and $10 000 for the three relevant financial years.

2.5 ICT capital and operational expenditure

The average ICT capital expenditure for the three financial years was $0.72 billion, which is 24 per cent of average annual ICT expenditure across government. The average ICT operational expenditure for the same period was $2.30 billion, or 76 per cent of total spend, or a ratio of approximately 1:3.

A detailed breakdown of capital and operating ICT expenditure for 2011–12, 2012–13 and 2013–14 is provided in Figure 2E.

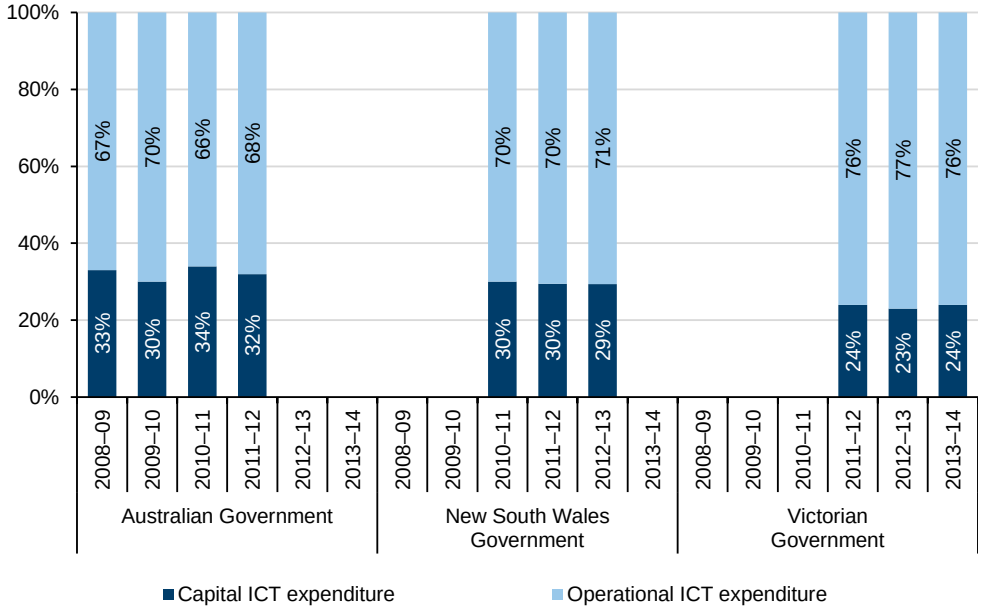
Figure 2E
Reported overall ICT capital and operational expenditure



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

The Australian Government's ratio of average capital expenditure to operational expenditure is 32 per cent to 68 per cent. The New South Wales Government's is 30 per cent to 70 per cent, which is closer to the Victorian Government's average, of 24 per cent to 76 per cent ratio. This is shown in Figure 2F.

Figure 2F
ICT capital and operational expenditure in selected jurisdictions



Source: Australian Government ICT Expenditure 2008–09 to 2011–12 Report, Victorian Auditor-General's Office survey of 417 agencies, 2014, Report on the NSW Government ICT Survey 2010–11 to 2012–13.

2.6 Top 10 agency ICT spenders

The former Department of Education and Early Childhood Development (DEECD) and Victoria Police were consistently the top two spenders across the three financial years at an average of $256.3 and $213.6 million per year, respectively.

DEECD's average annual spend of $256.3 million is 8.5 per cent of the state's $3.02 billion average annual ICT expenditure. However, it is important to note that these figures do not take into account the inherent differences in the nature and extent of ICT activities across the 417 agencies, including the different purposes for which ICT is utilised. A breakdown of total ICT expenditure for the top 10 spenders is provided in Figure 2G.

Figure 2G
Reported overall ICT expenditure – Top 10 agencies

No	Agency	ICT expenditure ($ million) 2011–12	2012–13	2013–14	Average	% of average agency spend to state spend
1	Department of Education and Early Childhood Development	325.3	212.2	231.4	256.3	8.5
2	Victoria Police	212.7	202.0	226.1	213.6	7.1
3	University of Melbourne	121.5	138.9	103.6	121.3	4.0
4	Monash University	101.1	119.2	123.0	114.5	3.8
5	VicRoads	125.9	108.0	104.5	112.8	3.7
6	Department of Environment and Primary Industries	115.2	99.4	98.4	104.3	3.4
7	Department of Health	130.9	77.6	76.6	95.0	3.1
8	Department of Human Services	96.3	87.1	81.3	88.2	2.9
9	Public Transport Victoria	22.2	76.7	162.2	87.0	2.9
10	Department of Justice	86.6	85.8	87.1	86.5	2.9

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

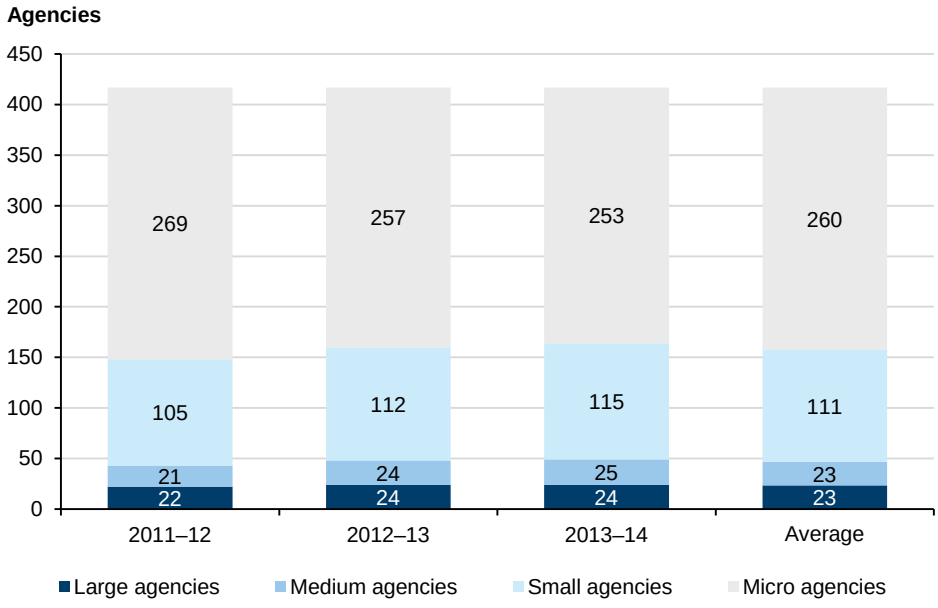
2.7 Classifying agencies on overall ICT expenditure

The 417 surveyed Victorian agencies and entities may be classified by their ICT expenditure as follows:

- **large agencies**—with overall ICT expenditure above $35 million
- **medium agencies**—with overall ICT expenditure between $10 million and $35 million
- **small agencies**—with overall ICT expenditure between $2 million and $10 million
- **micro agencies**—with overall ICT expenditure below $2 million.

Figure 2H shows the number of agencies included in each classification.

Figure 2H
Number of agencies by classification

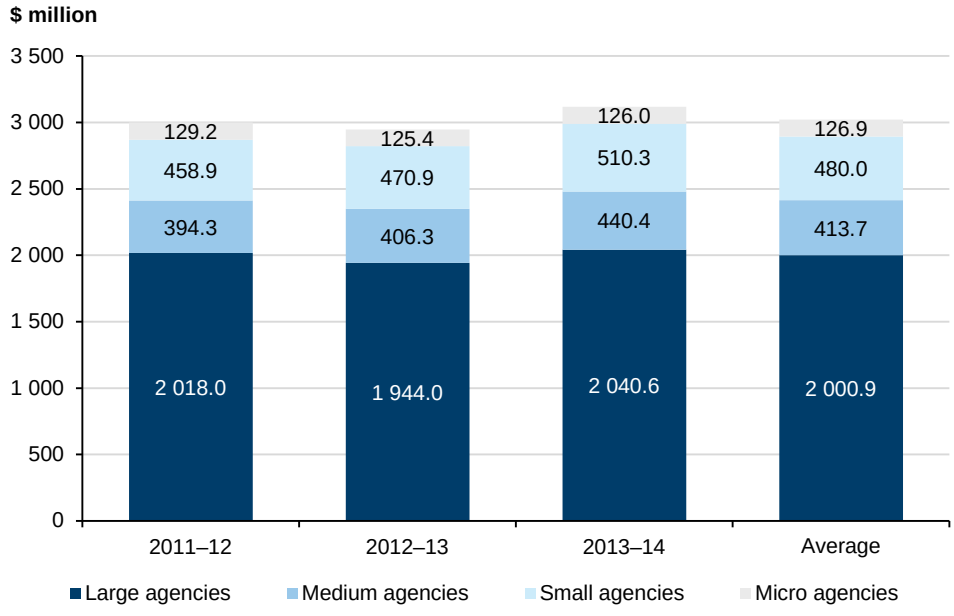


Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 2I shows that the top 6 per cent of spenders (large agencies) account for 66 per cent of total annual costs, and the top 11 per cent (large and medium agencies together), for 80 per cent.

Conversely, this means that the bottom 62 per cent of spenders (micro agencies) account for 4 per cent of total annual costs, and 89 per cent of the 417 agencies (small and micro agencies together) account for only 20 per cent of the total annual spend.

Figure 2I
ICT expenditure of agencies by classification



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

2.8 ICT spend by sector

Figure 2J shows that the universities, justice and health sectors are the top spenders among the 10 agency sectors.

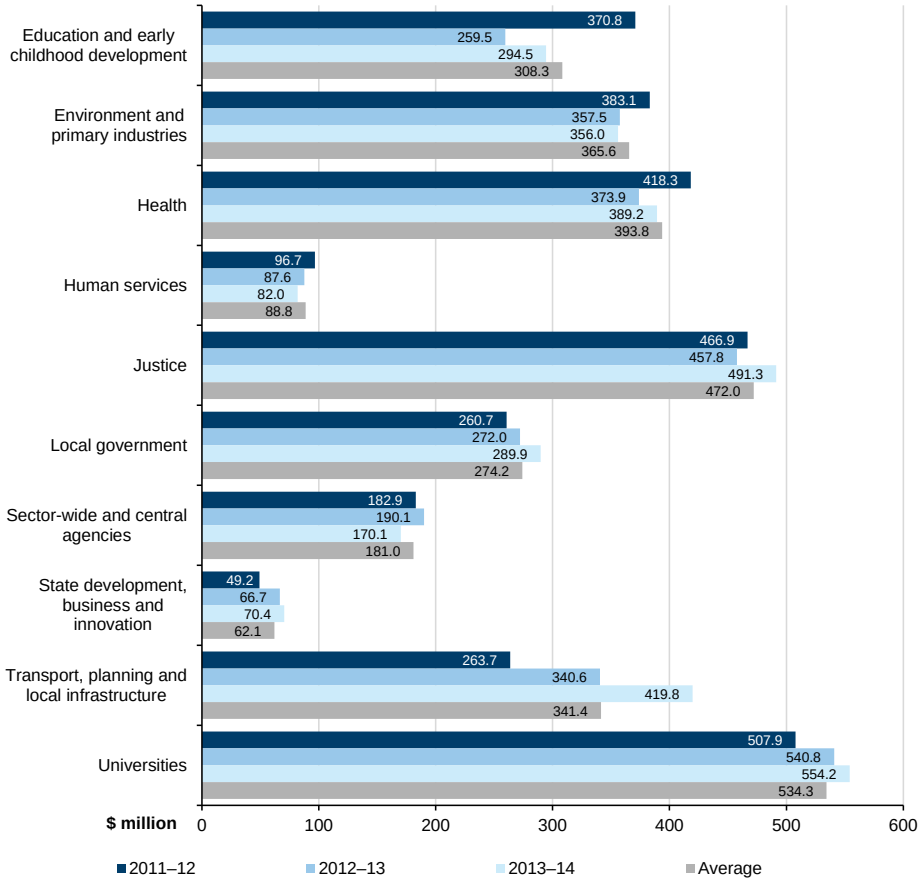
Figure 2J
Average total annual overall ICT expenditure per sector

Sector	Number of agencies	% of total agencies (417)	Average ICT expenditure ($ million)	% of average total ICT spend
Education and early childhood development	25	6.0	308.3	10.2
Environment and primary industries	60	14.4	365.6	12.1
Health	102	24.4	393.8	13.0
Human services	4	1.0	88.8	2.9
Justice	25	6.0	472.0	15.6
Local government	97	23.3	274.2	9.1
Sector-wide and central agencies	25	6.0	181.0	6.0
State development, business and innovation	13	3.1	62.1	2.1
Transport, planning and local infrastructure	23	5.5	341.4	11.3
Universities	43	10.3	534.3	17.7

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

A detailed breakdown by sector is provided in Figure 2K.

Figure 2K
Total yearly ICT spend per sector



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

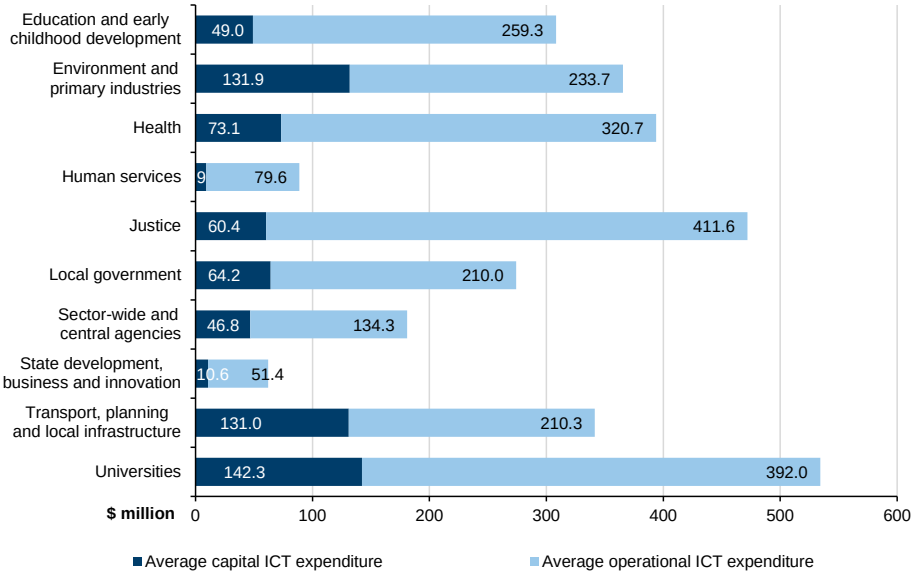
2.8.1 ICT capital and operational spend per sector

The overall split between average ICT capital and operational spend of approximately 1:3 is not consistent across sectors. The transport, planning and local infrastructure sector, and environment and primary industries sector show a higher than average capital expenditure in proportion to operational spend.

On the other hand, the justice, human services and education and early childhood development sectors show a higher than average operational spend compared to their capital expenditure.

Figure 2L illustrates these differences.

Figure 2L
Average ICT spend as operational and capital expenditure per sector



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

2.8.2 Top three ICT spenders per sector

The top three ICT spenders of each sector account for approximately 65 per cent of the total ICT expenditure. Again, it is important to note that expenditure reported in the survey does not take into account inherent differences in the nature and extent of ICT activities across the 417 agencies—including the different purposes for which ICT is utilised.

The following figures do not include information from the human services sector because this sector includes only four agencies. Moreover, the expenditure of the former Department of Human Services accounts for nearly 100 per cent of the ICT expenditure for this sector.

Figure 2M
Average total ICT expenditure for top three spenders per sector

Sector	Average total ICT expenditure per sector ($ million)	Average total ICT expenditure of top three agencies per sector ($ million)	% of top three agencies' spend to total sector ICT expenditure
Education and early childhood development	308.3	270.5	87.7
Environment and primary industries	365.6	193.2	52.9
Health	393.8	173.0	43.9
Justice	472.0	374.0	79.2
Local government	274.2	50.0	18.2
Sector-wide and central agencies	181.0	112.8	62.3
State development, business and innovation	62.1	54.4	87.7
Transport, planning and local infrastructure	341.4	278.2	81.5
Universities	534.3	317.4	59.4

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

The top three agency spenders per sector are shown in Figure 2N.

Figure 2N
Top three spenders per sector

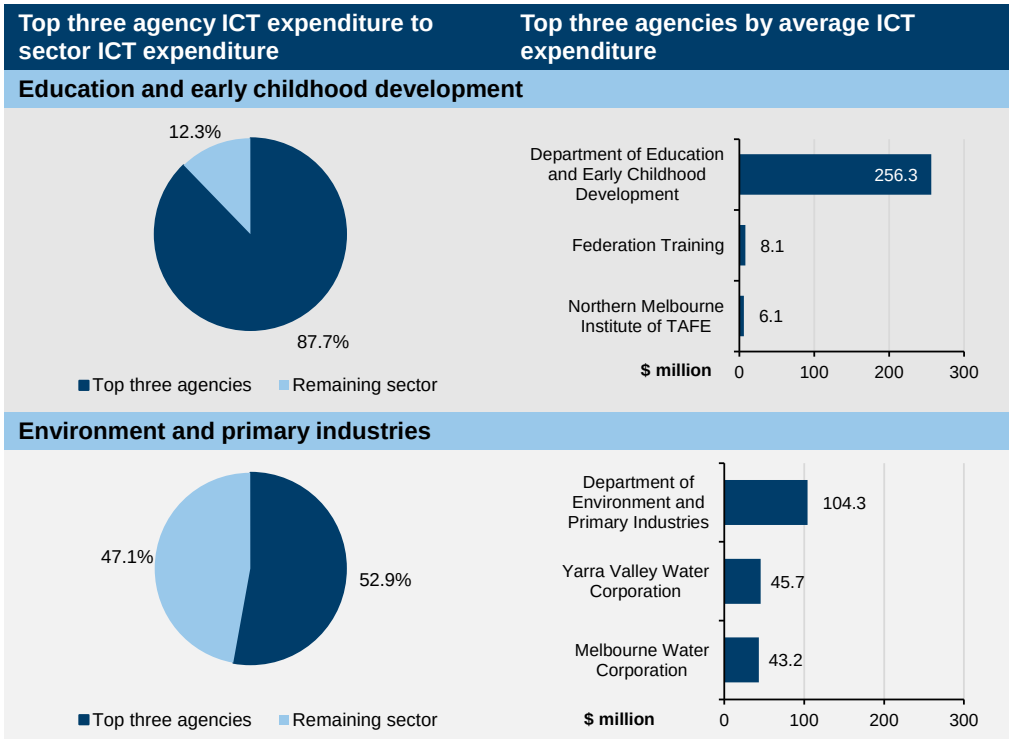


Figure 2N
Top three spenders per sector – *continued*

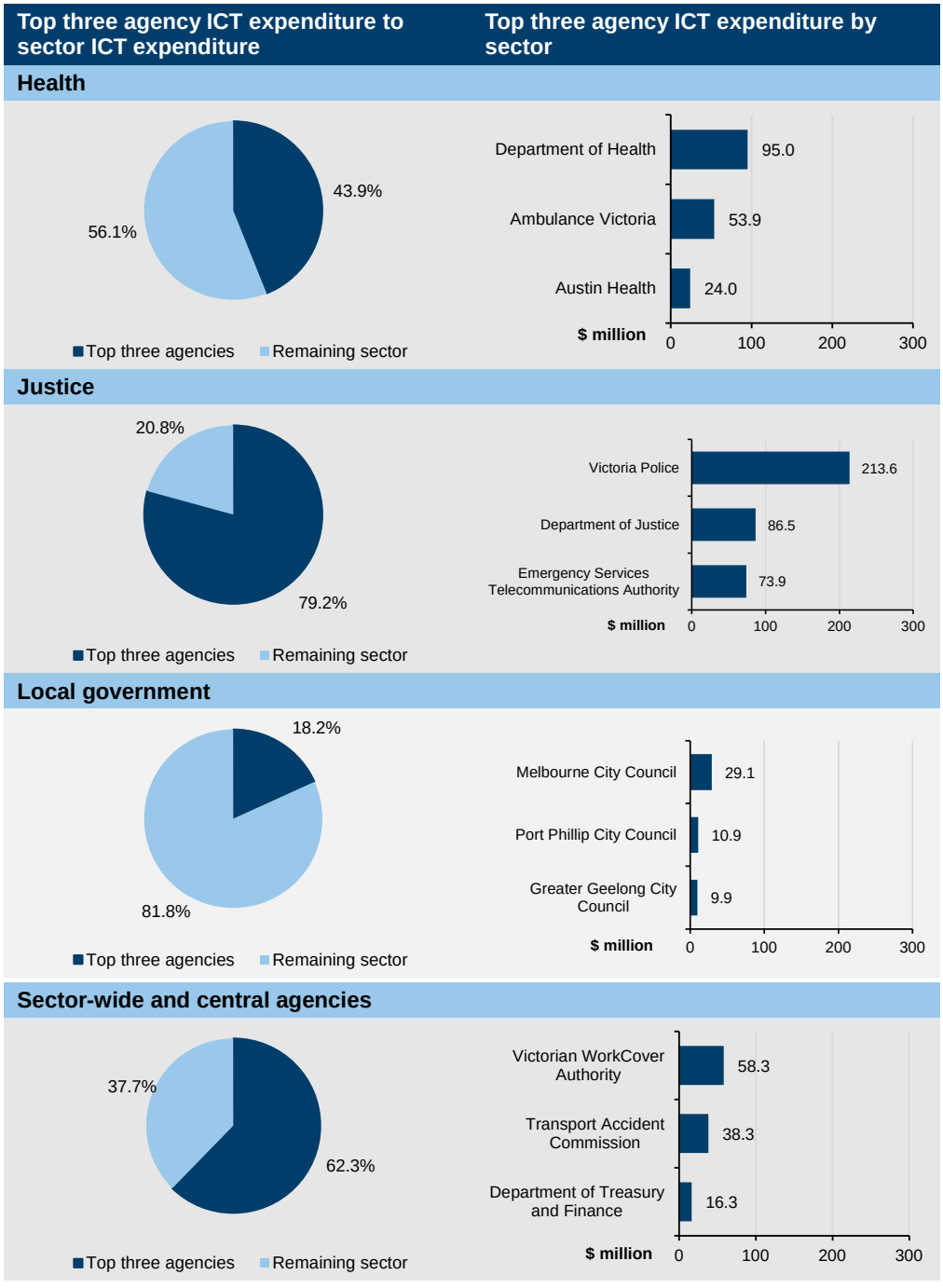
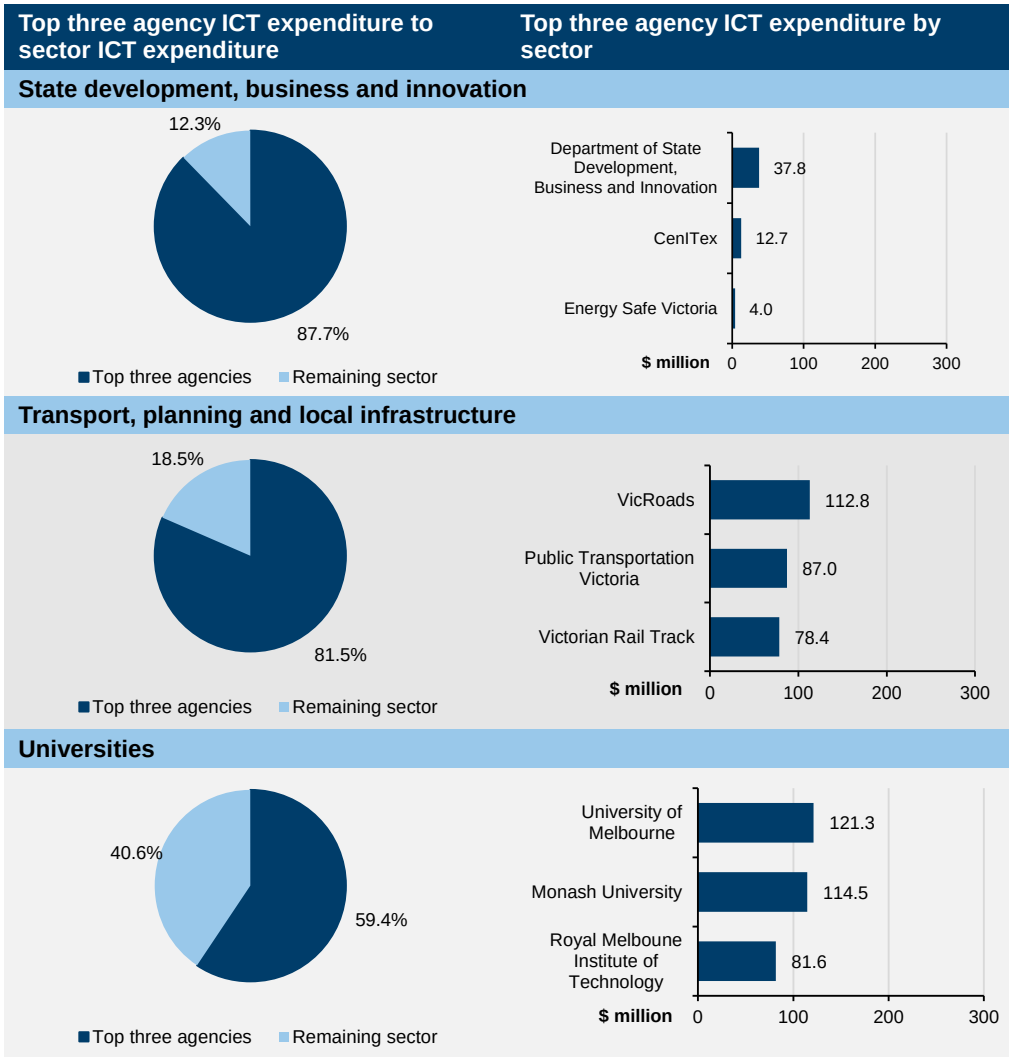


Figure 2N
Top three spenders per sector – *continued*



Note: Ambulance Victoria advised that 62 per cent of its expenditure is payment to ESTA, for call taking, computer aided dispatch and radio communications services.

Source: Survey of 417 agencies, 27 October to 8 December 2014.

Recommendations

That the Department of Premier and Cabinet:

1. provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately and comprehensively monitoring their information and communications technology expenditure
2. together with the Department of Treasury and Finance, considers and implements an appropriate, consistent and mandatory monitoring and disclosure framework for Victorian agencies and entities to better record and report their overall information and communications technology expenditure in their annual reports, similar to the current disclosure framework for consultancies and government advertising
3. publicly reports, on an annual basis, on government's information and communications technology expenditure and uses this information to aim for efficiencies in the purchase and use of information and communications technology.

That department secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to:

4. establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division
5. appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.

3 ICT projects

At a glance

Background

The Victorian public sector does not have a good track record with information, communication and technology (ICT) projects. Previous VAGO performance audits and Ombudsman reports have shown significant weaknesses in the planning and implementation of ICT projects.

Conclusion

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

Not only are agencies and entities currently unable to demonstrate the achievement of expected benefits from ICT investments, they are also, in general, unable to comprehensively report on actual ICT project costs.

Findings

- Two of the three most expensive ICT projects—Health*SMART* and RandL—were not initially reported in survey responses. The most expensive ICT project, myki Ticketing Solution, was only partially reported. Information on these projects was subsequently provided on request.
- The former Department of State Development, Business and Innovation's highly limited ICT project status dashboard failed to deliver sufficient information.
- Nearly 35 per cent of projects went over budget, or are already over budget.
- Nearly half of projects were completed or are expected to be completed after their initially planned completion dates.
- 25 per cent of projects have benefits realisation plans.

Recommendations

- That the Department of Premier and Cabinet (DPC) establishes a public-facing reporting mechanism to provide relevant information on ICT projects across the public sector.
- That department secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to appropriately plan, manage and implement their ICT projects.

3.1 Introduction

The Victorian public sector has a poor track record with information, communication and technology (ICT) projects. A number of VAGO performance audits and Ombudsman reports over the past decade have pointed to significant weaknesses in the planning and implementation of ICT projects, which often incur substantial delays and cost overruns.

An increasing reliance by government on ICT to manage and deliver programs and services, as well as an increasing demand by users for services to be provided online, mean that ICT projects need close, continuous monitoring to focus effort on the most productive investments, and to identify issues with projects well before they become major problems.

3.1.1 ICT projects and cost components

The 417 surveyed agencies were requested to provide information on all their active ICT projects for the past three financial years, 2011–12, 2012–13 and 2013–14.

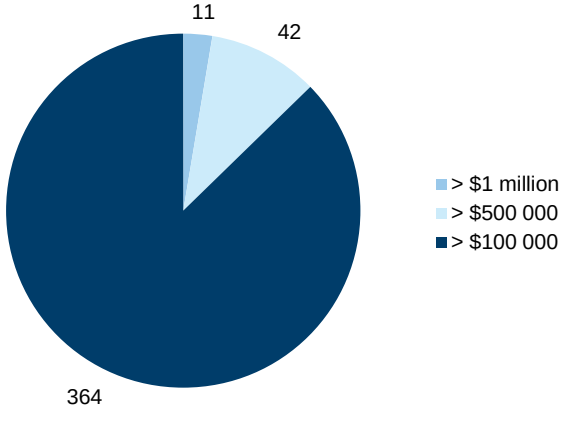
They were requested to provide information on time, cost and governance arrangements for projects with an initial cost over designated thresholds. They were also requested to provide planning documentation.

ICT projects above the following thresholds were to be reported:

- $1 million for the former nine departments and two large agencies
- $500 000 for material entities—VAGO's financial audit standard
- $100 000 for all other agencies and entities.

A handful of agencies requested revisions to their designated threshold values. Figure 3A provides a breakdown of the number of agencies per threshold band.

Figure 3A
Number of agencies by threshold band



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

For projects below the designated thresholds, agencies were asked to report their total number and aggregated cost. For example, 16 projects with a total actual project cost of $49 000 for 2011–12. Agencies were requested to provide information on projects that were active—initiated, in progress, completed, postponed or terminated—anytime during the past three financial years.

Projects that were active during this period but commenced prior to 1 July 2011 were only required to be included in the survey if the original project cost was at least $10 million.

3.2 Conclusion

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

Not only are agencies and entities currently unable to demonstrate the achievement of expected benefits from ICT investments, they are also, in general, unable to comprehensively report on actual ICT project costs.

Current financial and management processes do not enable comprehensive reporting on the status of ICT projects including actual project costs.

This audit also confirms that weaknesses in ICT project planning and delivery—previously reported on by VAGO—continue unabated.

3.3 Reported ICT projects

A total of 340 agencies reported that they had active ICT projects below and above their designated thresholds during 2011–12, 2012–13 and 2013–14.

A little over half of the 77 agencies that reported no ICT projects indicated that they are either subsidiaries or are subsumed entities within larger agencies, and are dependent on their parent entities for ICT services and assets.

3.3.1 ICT projects above designated thresholds

A total of 223 agencies indicated that they had ICT projects over their relevant thresholds, while the remaining 45 per cent, or 194 agencies, certified that they did not.

A total of 1 249 active ICT projects were reported by the 223 agencies. These projects have a reported combined initial planned cost of $4.56 billion. Half of this cost is accounted for by 85 projects that commenced prior to 1 July 2011, and totalled $2.31 billion.

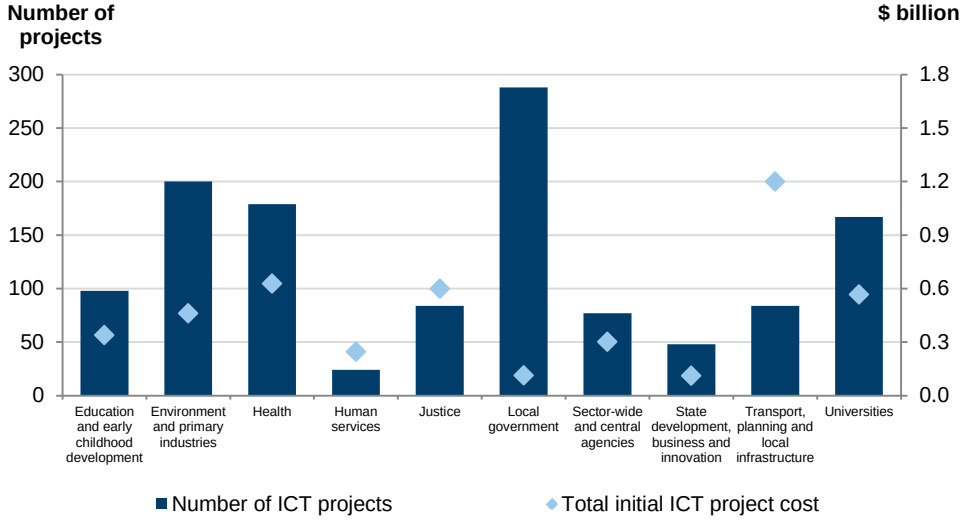
The survey requested agencies provide information on annual costs for their ICT projects. However, the majority of agencies were unable to provide a breakdown of their project costs.

ICT projects per sector

Figure 3B shows that the local government sector reported the highest number of projects, followed by the environment and primary industries sector and the health sector.

Figure 3B also shows that although the local government sector has the highest number of reported ICT projects, it has the second lowest aggregate initial planned cost. The transport, planning and local infrastructure sector has the highest total initial project cost.

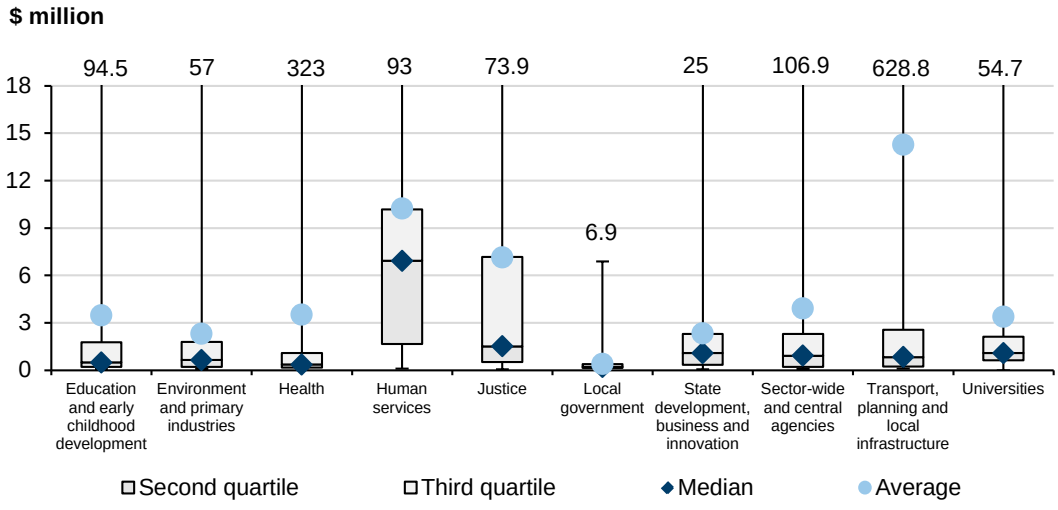
Figure 3B
ICT projects over threshold by sector



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3C shows that while the transport, planning and local infrastructure sector has both the highest individual and average initial project cost, the human services sector has the highest median initial project cost. This can be explained by the fact that there are only four agencies in this sector—including the former Department of Human Services—whose significant ICT investments impacts the median project cost for the sector. The figure also shows that with the exception of the human services sector, most of the reported ICT projects cost below $3 million.

Figure 3C
Median and average spend per ICT project by sector



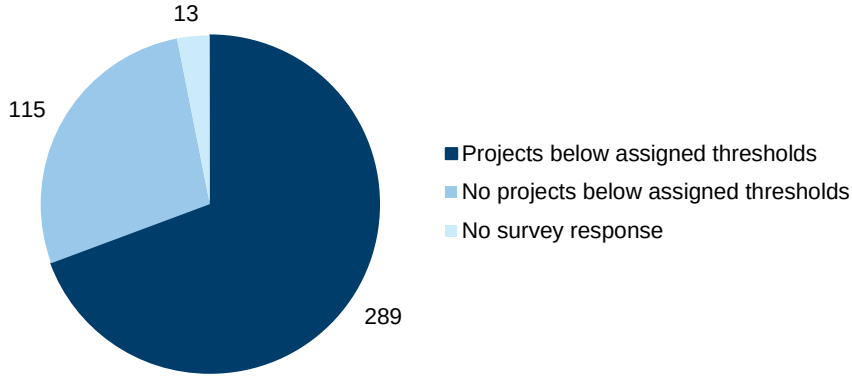
Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.3.2 ICT projects below designated thresholds

Figure 3D shows that 289 agencies had projects below their designated thresholds, while 115 agencies did not. An average of 2 683 small ICT projects were reported each year for 2011–12, 2012–13 and 2013–14. These ICT projects had an average total annual cost of $186 million.

Projects below the designated thresholds of agencies are not included in the discussions starting at Section 3.5.

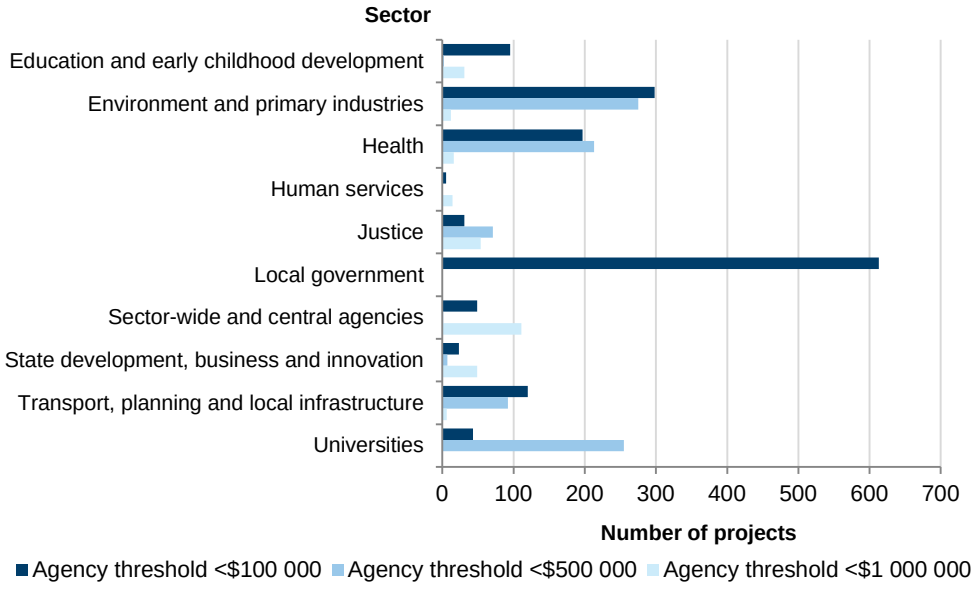
Figure 3D
Number of agencies with projects below their threshold



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3E illustrates the number of ICT projects in each threshold band by sector.

Figure 3E
Number of ICT projects below designated threshold



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.4 Difficulty in accessing information

The audit found that although obtaining overall agency ICT spend is a difficult exercise, getting information on ICT projects is even more challenging.

The issues that prevent comprehensive reporting on ICT spend, as discussed in Section 2.3.1 of this report, also apply to projects. Contributing factors that make it even more difficult to obtain ICT project information include:

- 'cutting up' projects into various sub-projects
- changes to project titles during their life
- the transfer of project management responsibility from one agency to one or more other agencies
- having another agency or organisation manage ICT projects.

When projects are 'cut up' into various sub-projects, the audit found that there is no overarching oversight to report back on the status and progress of the original project.

The audit also found that the transfer of project responsibility across or within agencies is not always accompanied by the appropriate handover of project records. In many instances, the new responsible project manager is unable to give project information, such as the original project cost or business cases, without having to seek out the previous project manager. This was true even for major ICT projects costing over $50 million.

Some agencies acknowledged that they do not currently track ongoing costs for ICT projects. This explains why many of the projects were reported to have identical initial and actual costs, regardless of the phase of the project.

However, even for those agencies that track ongoing project expenditure, not all cost components are appropriately captured—including internal staff, training and upgrading existing systems to accommodate the project.

Agencies' default position appears to be to monitor only costs directly attributable to the project, like contract price from approved suppliers and the fees charged by external ICT organisations. However, ICT projects need to be approached as business transformation projects, not as siloed technology updates, and therefore all costs incurred must be captured and reported.

With the processes currently in place, agencies are not systematically capturing ICT project costs across their various business units. This information is not sought by central agencies and so it is not possible for government to provide a full and accurate account of its ICT projects, regardless of size or cost.

Without knowing full actual costs, it is not possible for agencies and entities to assure Parliament and the Victorian community that its ICT projects represent value for money.

3.4.1 Leadership and oversight

Prior to the January 2015 machinery-of-government changes, the former Department of State Development, Business and Innovation (DSDBI) had responsibility for overseeing the use of ICT in the Victorian Government.

The previous government's 2013 *Victorian Government ICT Strategy* (the Strategy) required DSDBI to monitor government ICT projects and publish an ICT project status dashboard in order to 'increase accountability and transparency'.

DSDBI's ICT project status dashboard, published in December 2014, failed to deliver increased accountability and transparency as it only included minimal high level information on six High-Value High-Risk ICT projects. DSDBI advised that the minimal number of projects and information provided per project was a result of significant pushback from agencies.

Following the January 2015 machinery-of-government changes, DPC now has portfolio responsibility for overseeing the use of ICT in the Victorian Government and the ICT project status dashboard was removed from the government's website.

DPC should provide effective leadership and oversight on the planning and implementation of ICT projects across the Victorian public sector. Where it does not have direct mandate over specific agencies and entities, it should encourage the department that has portfolio responsibility to exercise the requisite leadership and oversight.

DPC should also establish a public-facing reporting mechanism to provide relevant and up-to-date project status information on ICT projects across the public sector. This should include—but not be limited to—cost, time lines, governance and benefits realisation.

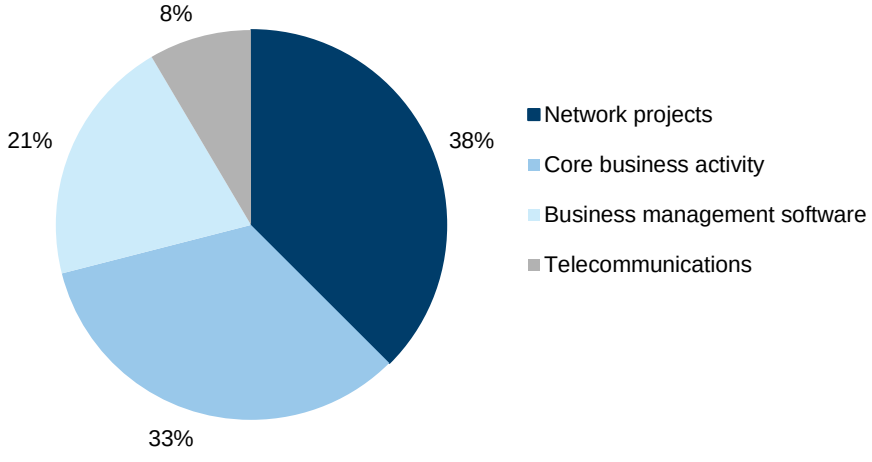
3.5 ICT project types

The 1 249 reported ICT projects may be broadly classified as follows:

- **network** projects which include local area network, security, and storage
- **core business activity** software and systems including decision-making support, analytics and reporting systems, and also includes clinical information systems and student support online systems
- **business management** systems for payroll, human resources and administration purposes
- **telecommunications** projects, including teleconferencing, radio and telephony services.

Figures 3F shows the various types of ICT projects reported by per cent.

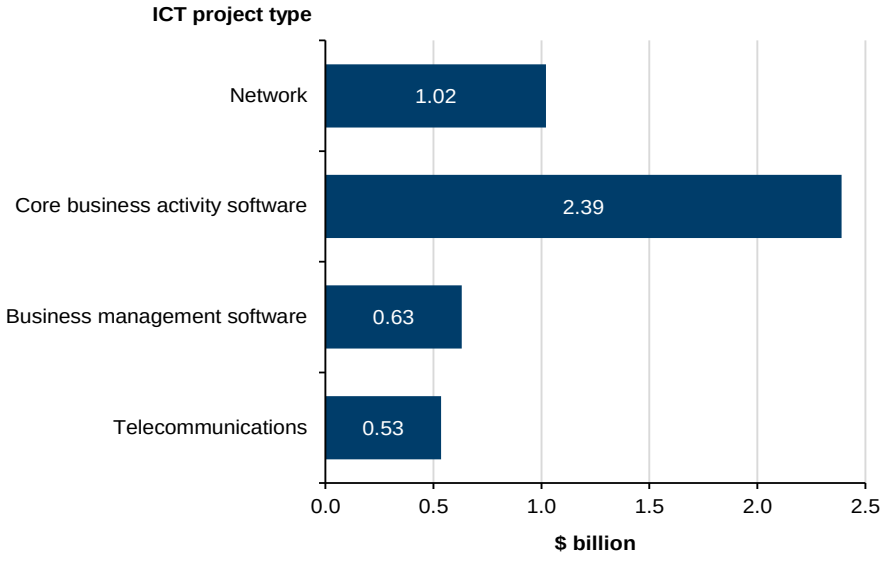
Figure 3F
ICT projects by project type



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3G shows the total initial project costs by project type.

Figure 3G
ICT project initial cost by project type



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

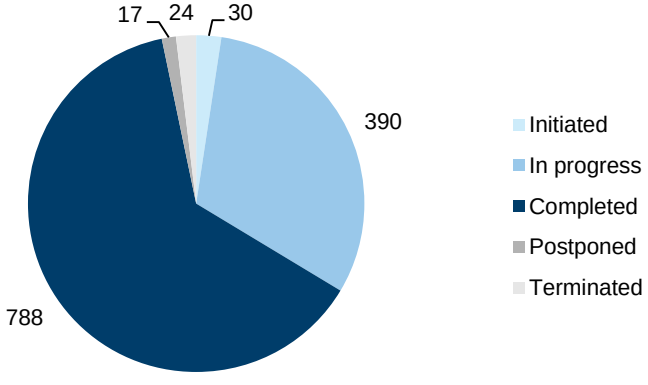
3.6 ICT project phases

Of the ICT projects reported as at December 2014:

- 30 (2.4 per cent) were at initiation phase
- 390 (31.2 per cent) were in progress
- 788 (63.1 per cent) were completed
- 17 (1.4 per cent) had been postponed
- 24 (1.9 per cent) had been terminated prior to completion.

Figure 3H shows the categorisation of ICT projects per project phase.

Figure 3H
ICT projects by phase

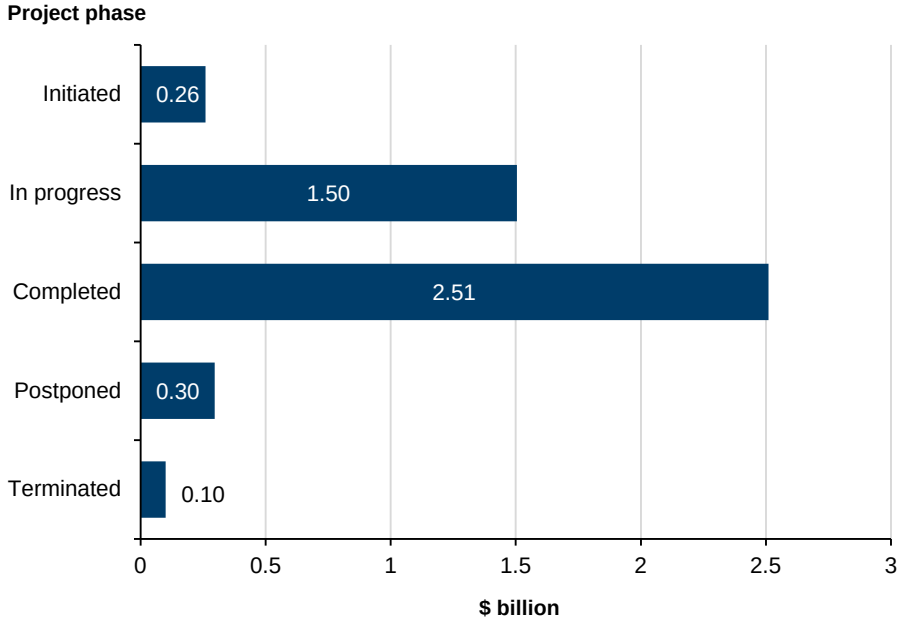


Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3I provides a breakdown of total project costs by project phases. The completed and in progress projects account for some $4.01 billion in actual project costs.

It is noteworthy that terminated projects account for over $100 million. The former Department of Justice's Integrated Courts Management System project is the biggest of these projects, with a reported actual cost of $59.4 million. The former Department of Justice reported that the project was terminated in June 2012 due to budget and time line overruns.

Figure 3I
Total actual ICT project cost by phase



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.7 ICT project scope

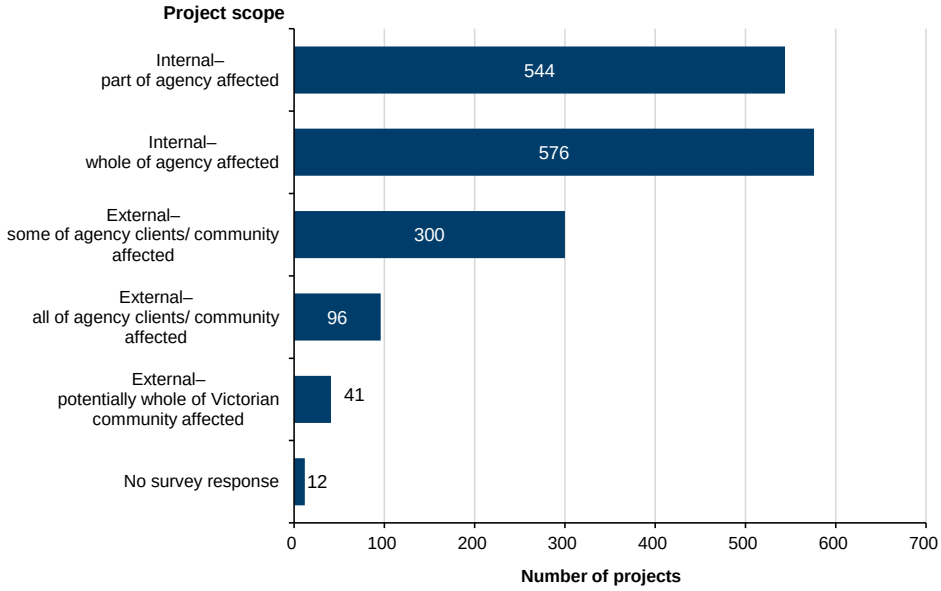
Surveyed agencies were asked about the scope of their ICT projects—in particular, whether the scope was:

- internal, with only part of the agency affected
- internal, with the whole agency affected
- external, with some of their clients affected
- external, with all agency clients affected
- external, with potentially the whole Victorian community affected.

Agencies were able to select several of the above options, as an ICT project might be both internal—affecting part or the entire agency—and external—affecting some or all of their clients.

Figure 3J shows the number of ICT projects per reported project scope.

Figure 3J
ICT projects by project scope

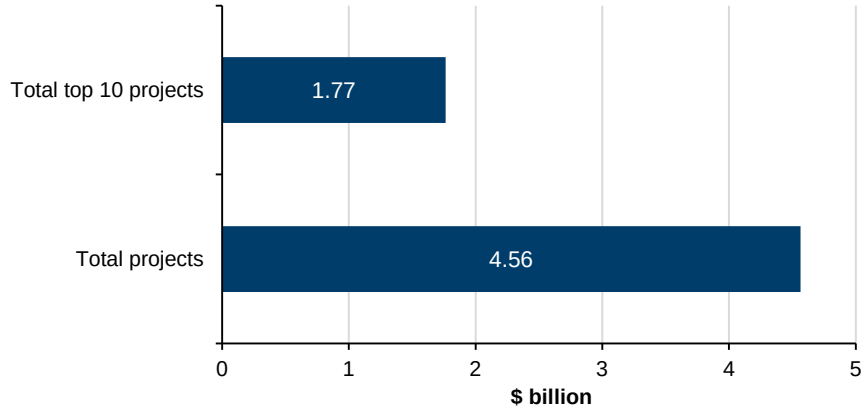


Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.8 Top ICT projects in terms of initial costs

Figure 3K shows that the top 10 reported projects, in terms of initial costs, account for 39 per cent of total initial costs for the 1 249 reported ICT projects.

Figure 3K
Total expenditure for top 10 ICT projects by initial cost



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3L, showing the top 10 projects ranked by cost, is significant for two reasons:

- Two of the top three projects, totalling $481.5 million in initial cost—Health*SMART* and the Registration and Licensing (RandL) Program—were not initially reported in the survey responses of the former Department of Health and VicRoads, respectively. Information on these projects was provided at the request of the audit team. Further, the initial cost for the top ICT project, the myki Ticketing Solution, was initially reported by Public Transport Victoria (PTV) to be $87.9 million. PTV subsequently advised that the initial cost for the ICT component of the project was $628.8 million.
- Reported costs for some projects are significantly less than previously identified. For example, the former Department of Education and Early Childhood Development reported the Ultranet project as having an actual cost of $89.6 million even though it had previously estimated the project cost at over $100 million in June 2012. Also, expenditure for Health*SMART* was estimated by the Ombudsman and VAGO's *Own motion investigation of ICT-enabled projects* at $471 million in 2012, including some operating costs. However, it was reported in the survey as having a total cost of $329.7 million.

Figure 3L
Top 10 ICT projects ranked by initial cost

	Agency	Project name	Initial cost ($ million)	Actual cost ($ million)	Phase
1	Public Transport Victoria	myki Ticketing Solution[(a)]	628.8	738.8	Completed
2	Department of Health	Health*SMART*	323.0	329.7	Completed
3	VicRoads	RandL Program[(b)]	158.5	273.0	Postponed
4	Victorian Rail Track	Integrated Transport Network	150.0	150.0	Initiated
5	Department of Treasury and Finance	Efficient Technology Services	106.9	94.4	Completed
6	Department of Human Services	HiiP Systems Improvements	93.0	110.5	Completed
7	Department of Education and Early Childhood Development	TAFE Student Management System Project	92.5	96.8	Completed
8	Department of Education and Early Childhood Development	Ultranet	80.0	89.6	Completed
9	Victoria Police	IT Asset Refresh	73.9	73.9	In progress
10	Public Transport Victoria	Metropolitan Train Safety Communications Systems	58.4	58.4	In progress

(a) The indicated initial and actual costs for the myki Ticketing Solution project include some operational service components that PTV is unable to segregate from ICT-related contractor costs.

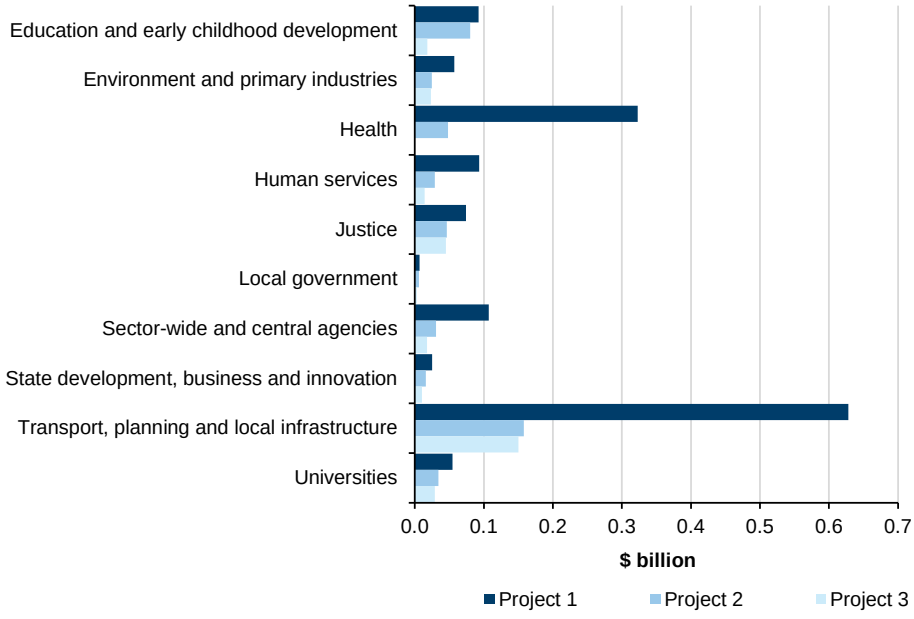
(b) VicRoads advised that the indicated actual cost of $273 million for the RandL project is the latest estimate as at February 2014 and not the actual cost.

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.8.1 Top three ICT projects per sector

Figure 3M shows the initial cost of the top three ICT projects active in the past three financial years per sector.

Figure 3M
Top three ICT projects per sector by initial cost



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3N lists the top three sector projects by the reported initial cost of the project. These top projects range in initial project cost from $628.8 million for the myki Ticketing Solution project in the Transport sector to $2.8 million for the Melbourne City Council Desktop Upgrade project.

Figure 3N
Top 3 ICT projects by sector and ranked by initial cost

Agency	Project title	Initial cost ($ million)	Actual cost ($ million)	Phase
Education and Early Childhood Development				
Department of Education and Early Childhood Development	TAFE Student Management System	92.5	96.8	Completed
Department of Education and Early Childhood Development	Ultranet	80.0	89.6	Completed
Department of Education and Early Childhood Development	Insight Assessment Platform	18.2	18.2	In progress

Figure 3N
Top 3 ICT projects by sector and ranked by initial cost – *continued*

Agency	Project title	Initial cost ($ million)	Actual cost ($ million)	Phase
Environment and Primary Industries				
Department of Environment and Primary Industries	BICT – Radio Replacement	57.0	29.0	In progress
City West Water Corporation	Arrow Program – Release 1	24.6	21.1	Completed
Yarra Valley Water Corporation	Improving Infrastructure Management System	23.2	25.5	In progress
Health				
Department of Health	Health*SMART*	323.0	329.7	Completed
The Royal Children's Hospital	RCH Electronic Medical Record	48.1	2.8	In progress
Bendigo Health Care Group	EMR[(a)]	*	*	In progress
Human Services				
Department of Human Services	HiiP Systems Improvements	93.0	110.5	Completed
Department of Human Services	Single Client View	28.7	7.2	In progress
Department of Human Services	Infrastructure Capital Refresh	14.1	3.0	In progress
Justice				
Victoria Police	IT Asset Refresh	73.9	73.9	In progress
Emergency Services Telecommunications Authority	EAS Network Upgrade	46.5	46.5	In progress
Department of Justice	Integrated Courts Management System	45.1	59.4	Terminated
Local Government				
Maribyrnong City Council	Business Transformation	6.9	6.9	In progress
Campaspe Shire Council	Core System Replacement	6.0	6.5	In progress
Melbourne City Council	Desktop Upgrade	2.8	2.9	Completed
Sector-wide and central agencies				
Department of Treasury and Finance	Efficient Technology Services	106.9	94.4	Completed
Victorian WorkCover Authority	Treatment Payments and Connectivity	30.5	33.9	Completed
Victorian WorkCover Authority	EDRMS Phase 1	17.8	25.4	In progress

Figure 3N
Top 3 ICT projects by sector and ranked by initial cost – *continued*

Agency	Project title	Initial cost ($ million)	Actual cost ($ million)	Phase
State Development, Business and Innovation				
Department of State Development, Business and Innovation	Victorian Mobile	25.0	25.0	In progress
Department of State Development, Business and Innovation	Regional Rail Wi-Fi	15.7	13.3	Initiated
Department of State Development, Business and Innovation	VicConnect Initiative	10.2	10.2	In progress
Transport, Planning and Local Infrastructure				
Public Transport Victoria	myki Ticketing Solution[(b)]	628.8	738.8	Completed
VicRoads	RandL Program[(c)]	158.5	273.0	Postponed
Victorian Rail Track	Integrated Transport Network	150.0	150.0	Initiated
Universities				
Victoria University	VU Connect	54.8	59.1	In progress
University of Melbourne	Centre for Neural Engineering Program	34.2	34.2	Completed
Swinburne University of Technology	Student One	28.8	30.1	In progress

(a) Costs for the Bendigo Health Care's EMR project are not included in this table, because the project was at a critical stage in its procurement phase at the time of tabling this report.

(b) The indicated initial and actual costs for the myki Ticketing Solution project include some operational service components that PTV is unable to segregate from ICT related contractor costs.

(c) VicRoads advised that the indicated actual cost of $273 million for the RandL project is the latest estimate as at February 2014 and not the actual cost.

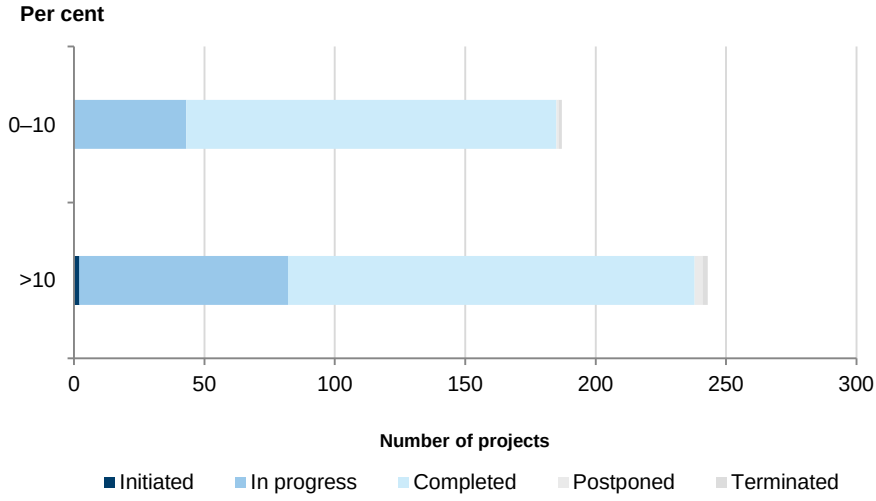
Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.8.2 Actual versus planned cost

Survey responses indicate that 430, or nearly 35 per cent, of all 1 249 ICT projects reported went over budget. Of these, 298 or nearly 70 per cent were completed projects. This means that 132 projects are already over budget prior to completion.

Figure 3O shows that 43 per cent of over-budget projects exceeded their initially approved costs by up to 10 per cent. The remaining 57 per cent exceeded their original budget by between 11 and 649 per cent.

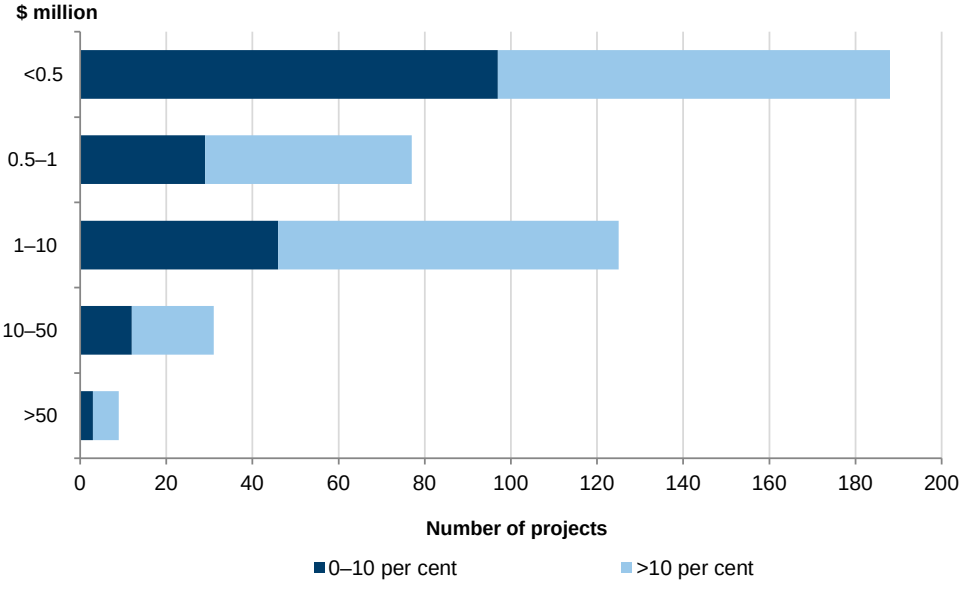
Figure 3O
ICT projects with cost variation by percentage of overrun and project phase



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3P shows the distribution of the 430 ICT projects that are over budget by actual cost bands. It also shows that for projects with an initial cost of over $50 million, twice as many went over budget by more than 10 per cent, than those that went over budget by up to 10 per cent.

Figure 3P
ICT projects with cost variation by actual cost



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Factors impacting quality of cost data provided

The actual number of ICT projects that are over budget is potentially higher than indicated by the survey responses. This is because more than half of the 417 agencies included in the survey acknowledged the quality of the project cost data they were able to provide was impacted by various factors, including:

- not regularly monitoring or tracking actual project costs
- not separately costing all project cost components
- not tracking costs by project cost centre
- not keeping detailed records of ICT projects
- the lack of data and reporting systems.

The failure to regularly track and monitor actual ICT project cost partly explains why a significant number of the projects, some 20 per cent, have identical figures for initially planned and actual/current costs. On the other hand, a handful of projects reported nil dollars as the initial project cost.

Also, significantly lower than expected actual project costs were reported even for ICT projects previously subjected to government scrutiny. Examples include the Health*SMART* and Ultranet projects. Actual costs for these have been previously estimated as far higher than what was reported in the survey.

The poor financial management of ICT projects is further evidenced by discrepancies between the initially planned costs reported in the survey and those indicated in the business cases and project evaluation reports supplied. In many instances the initially planned costs reported in the survey are significantly more than those in project documentation.

For these reasons, it is reasonable to say that the number of ICT projects that actually went over their originally approved budgets is higher than what was reported in the survey responses. Poor financial project management, as acknowledged by many agencies, has not resulted in fulsome ICT project cost reporting.

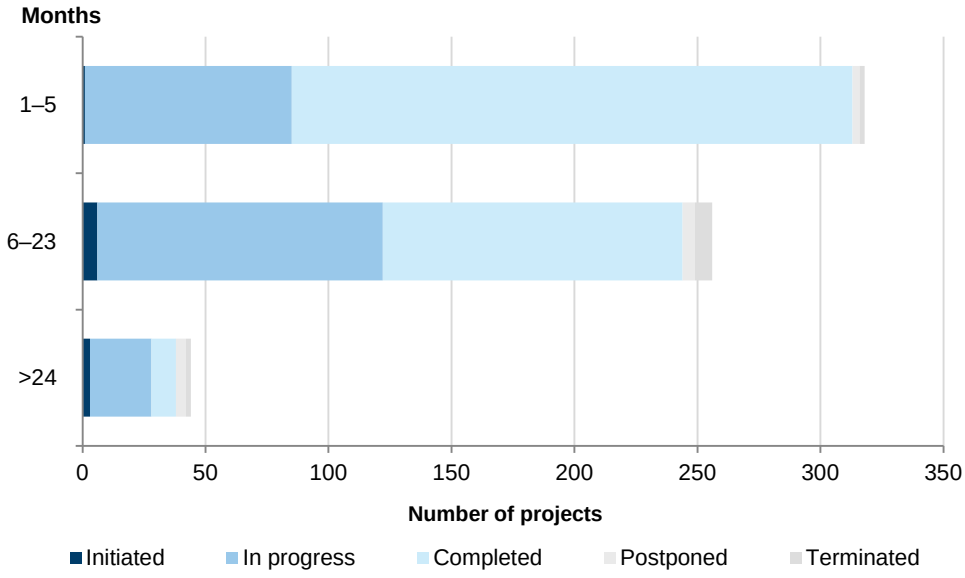
3.9 Actual versus planned time

Similar to information on project costs, a significant number of projects—nearly 50 per cent of all 1 249 projects—were either completed after their due date, or are expected to be completed after their initially planned completion dates. Five per cent of all projects were reported to have been completed earlier than expected.

A little over half of the delayed projects were completed within five months of their originally approved completion dates. The remaining half were completed or are expected to be completed between six to 74 months after their initial due date.

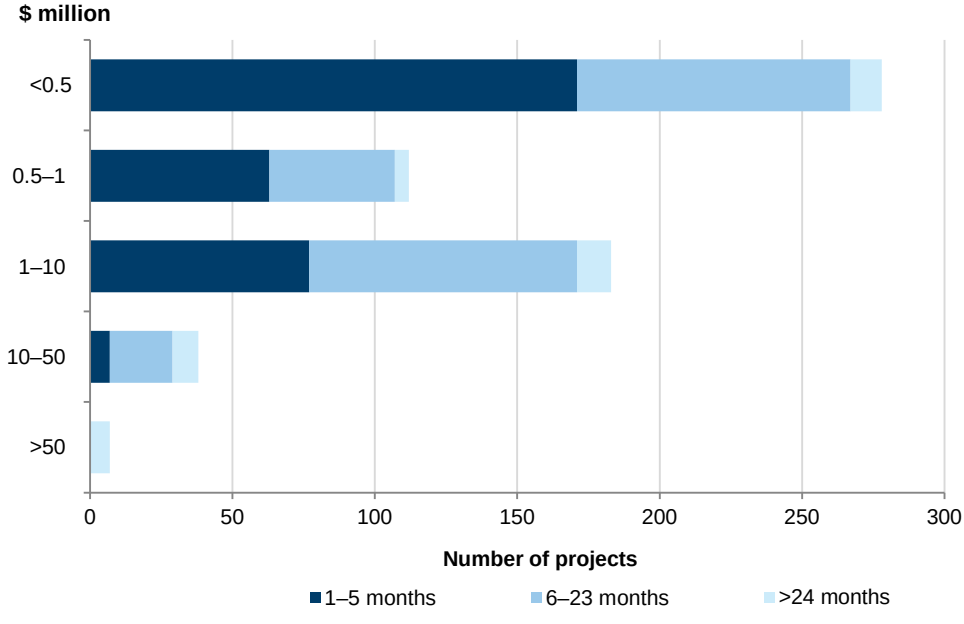
Figures 3Q and 3R show the number of projects against time variations.

Figure 3Q
ICT project time variation and project phase



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3R
ICT project time variation by actual cost and month



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.10 Project management methodology and governance structure

Project governance and management structures should be in place throughout the life of a project. They set the framework for transparency and confidence in decision-making, they clarify roles and responsibilities and assist in considering stakeholder interests.

3.10.1 Project management methodology

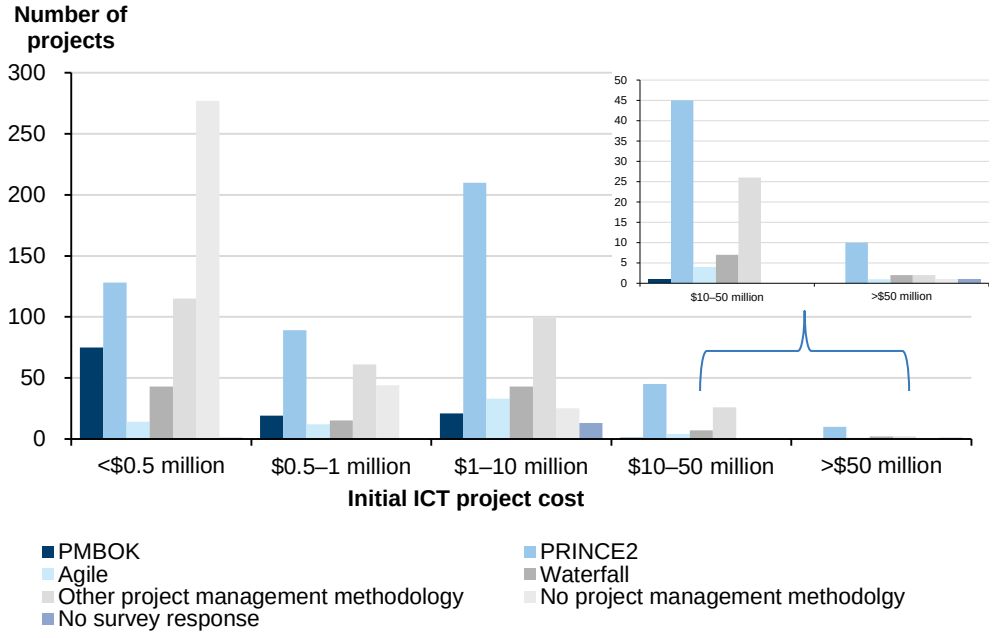
Survey responses indicated that 71 per cent of all ICT projects reported were managed using recognised project management methodologies, or components of these methodologies. Only one departmental ICT project, the former Department of Health's Immunisation Program Software project, did not use a recognised methodology.

Survey responses indicated that:

- 54 per cent of projects used PRINCE2—PRojects IN Controlled Environments, which is a process-based project management method
- 13 per cent of projects used Project Management Body of Knowledge (PMBOK)—a collection of processes and knowledge areas considered as good practice for project management
- 12 per cent of projects used Waterfall—a sequential design process, wherein progress steadily flows through phases
- 7 per cent of projects used Agile—a software development method in which requirements and solutions evolve through collaboration between working teams
- 34 per cent of projects used other recognised project management methodologies.

Figure 3S shows the project management methodology used categorised by initial project cost bands. It also shows that PRINCE2 was the most widely used methodology for ICT projects.

Figure 3S
Project management methodologies by initial project cost



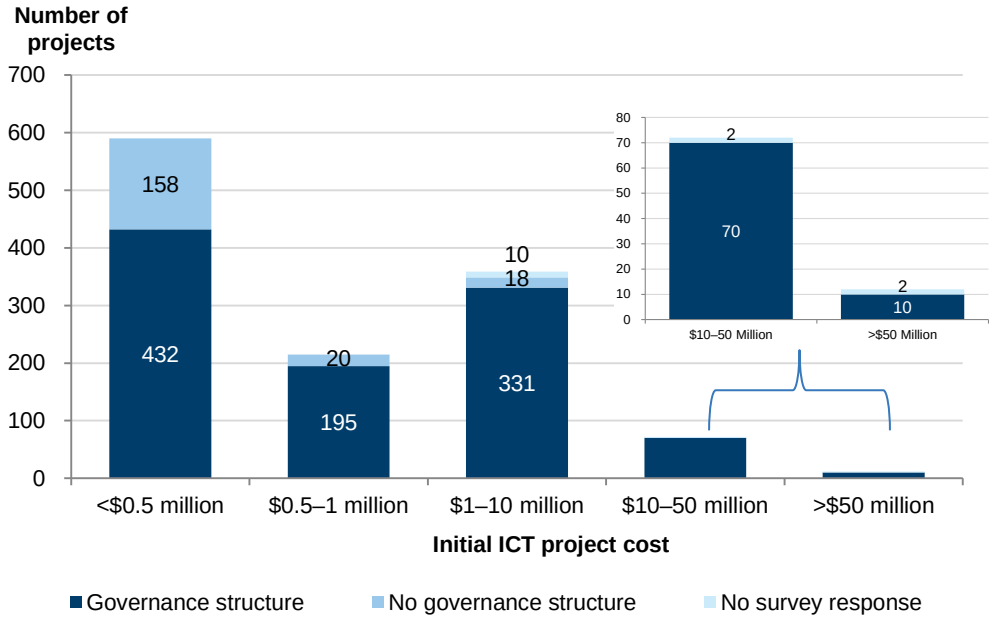
Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.10.2 Governance structures

Survey responses indicate that 83 per cent of ICT projects reported have a defined governance structure, although seven departmental ICT projects did not have one.

Figure 3T shows the number of ICT projects with defined governance structures categorised by initial project cost bands. All but four projects costing over $10 million were reported as having a defined governance structure.

Figure 3T
ICT projects with defined governance structures by initial project cost



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.11 ICT project planning documents

The Department of Treasury and Finance defines a business case as a 'document that forms the basis of advice for executive decision-making for an asset investment. It is a documented proposal that considers alternative solutions and identifies assumptions, benefits, costs and risks'. It is generally accepted that a robust business case is critical to the success of an investment.

A risk assessment plan, usually included in business cases, identifies, assesses and prioritises project risks. It then outlines actions to minimise, monitor and control the identified risks.

A benefits realisation plan sets out the process and schedule by which the benefits defined in the business case are going to be monitored, evaluated and reported.

A stakeholder engagement plan identifies, assesses and prioritises key stakeholder groups to ensure that effective communication is maintained through the life of the project to assist its implementation.

3.11.1 Survey responses on planning documents

Agencies were asked to provide information on ICT project:

- business cases
- risk assessment plans
- benefits realisation plans
- stakeholder engagement plans.

Figure 3U and 3V show which planning documents were prepared for the 1 249 reported ICT projects. A business case and risk assessment plan were prepared for a little more than 70 per cent of ICT projects. Fewer stakeholder engagement plans were prepared, with agencies reporting that 63.7 per cent of ICT projects had them.

A quarter of projects had benefits realisation plans. This reveals that despite significant investments, most agencies do not plan to monitor the achievement of expected benefits from their ICT projects.

PTV could not provide evidence to support that 10 of its 12 reported ICT projects had business cases, risk assessment plans, stakeholder engagement plans, and benefits realisation plans in place. This includes the most costly ICT project, the myki Ticketing Solution.

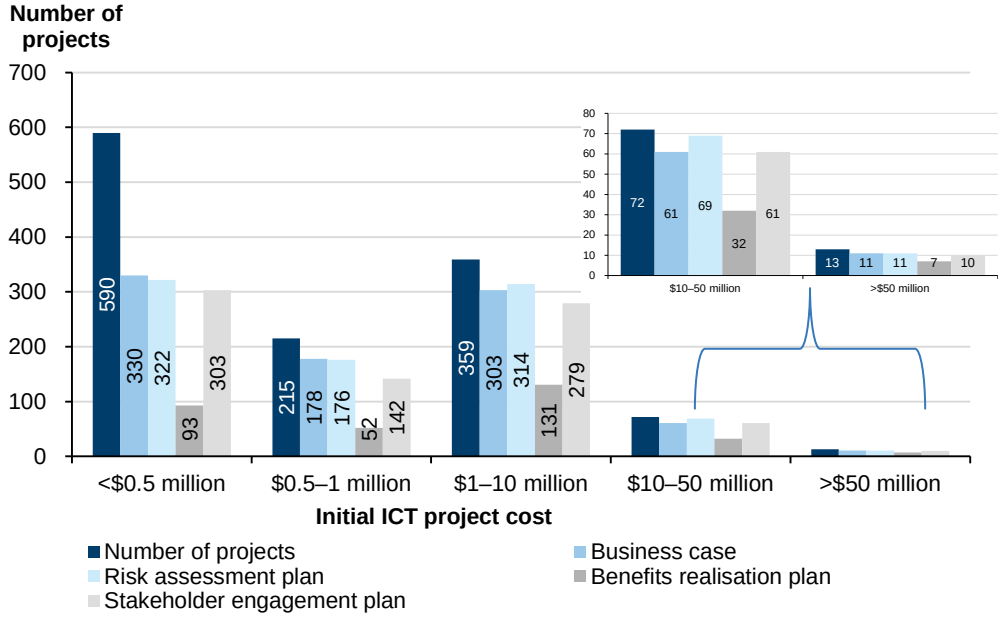
Figure 3U
ICT project planning documents

	Document is in place		No document in place		No survey response	
	Number	% of all projects	Number	% of all projects	Number	% of all projects
Business case	883	70.7	353	28.3	13	1.0
Risk assessment plan	892	71.4	345	27.6	12	1.0
Benefits realisation plan	315	25.2	916	73.3	18	1.4
Stakeholder engagement plan	795	63.7	440	35.2	14	1.1

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3V also shows that while 84.7 per cent of ICT projects with initial project costs of at least $10 million had business cases, only 45.9 per cent had benefit realisation plans.

Figure 3V
ICT project planning documents by initial project costs



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3W shows which planning documents were prepared for the top 10 ICT projects in terms of initial project cost. It is noteworthy that for the most expensive ICT project, myki Ticketing Solution, PTV could not provide evidence for its planning documents.

Furthermore, ICT projects that VAGO has previously reported as poorly planned and implemented, like VicRoads' RandL system, DEECD's Ultranet program, and the Department of Health's Health*SMART* were all covered by planning documentation. This suggests that merely 'ticking the box' on a planning tool does not necessarily translate to a well-conceived and effectively planned ICT project.

Figure 3W
Project planning documents for the top 10 projects by initial cost

Agency	Project title	Phase	Business case	Risk assessment plan	Stakeholder engagement plan	Benefits realisation plan
Public Transport Victoria	myki Ticketing Solution	Completed	Could not provide	Could not provide	Could not provide	Could not provide
Department of Health	Health*SMART*	Completed	✓	✓	×	✓
VicRoads	RandL Program	Postponed	✓	✓	✓	✓
Victorian Rail Track	Integrated Transport Network[(a)]	Initiated	N.A.	N.A.	N.A.	N.A.
Department of Treasury and Finance	Efficient Technology Services	Completed	✓	✓	✓	✓
Department of Human Services	HiiP Systems Improvements	Completed	✓	✓	✓	✓
Department of Education and Early Childhood Development	TAFE Student Management System Project	Completed	✓	✓	✓	✓
Department of Education and Early Childhood Development	Ultranet	Completed	✓	✓	✓	✓
Victoria Police	IT Asset Refresh	In progress	✓	✓	✓	×
Public Transport Victoria	Metropolitan Train Safety Communications Systems	In progress	✓	✓	✓	✓

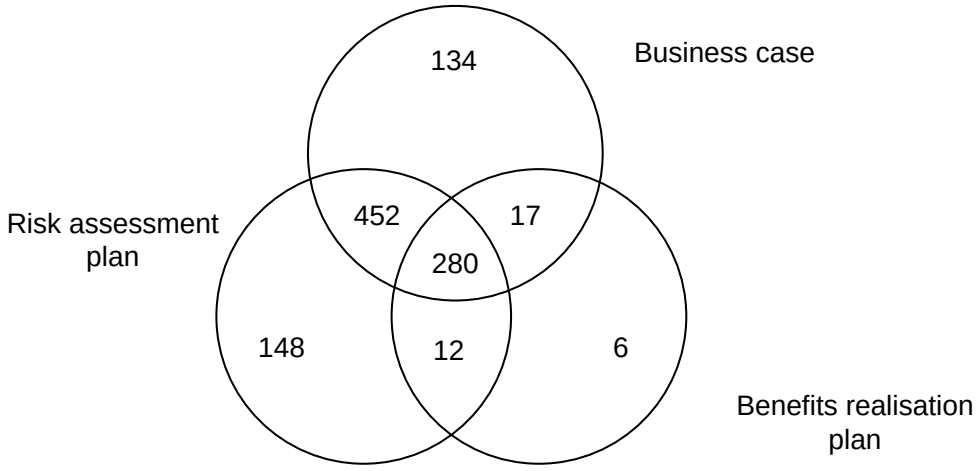
(a) Victorian Rail Track's Integrated Transport Network project was at initiation phase at the time of the survey. The planning documents for this project are currently being developed.

Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Figure 3X illustrates that of the 1 249 ICT projects reported:

- only 280 projects had a business case, a risk assessment plan and a benefits realisation plan
- 452 projects had both a business case and a risk assessment plan, but did not have a benefits realisation plan
- 134 projects had a business case, but neither a risk assessment plan nor a benefits realisation plan
- 148 projects had a risk assessment plan, but neither a business case nor a benefits realisation plan
- six projects only had a benefits management plan, and had no business case or risk assessment plan.

Figure 3X
ICT project planning documents reported for all projects



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.11.2 Review of submitted documents

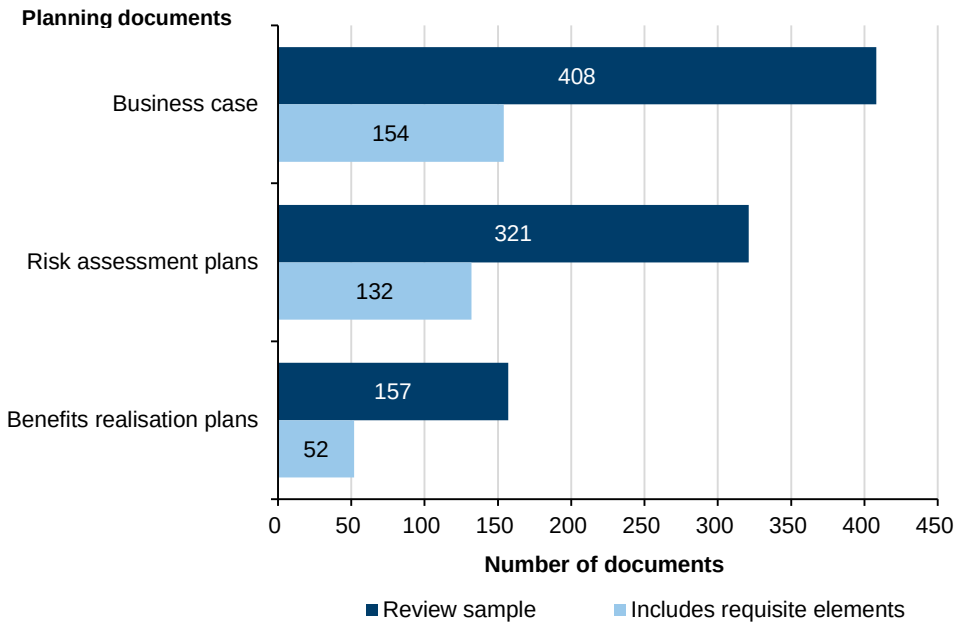
A review of a sample of documentation provided revealed that only 38 per cent of the business cases had the requisite elements—options analysis, identification of problem, financial analysis and expected benefits.

Similarly, a review of a sample of risk assessment plans revealed that only 41 per cent identified both the risks and associated mitigation measures to minimise those risks. Most provided documentation mentioned risks but did not identify proposed actions to mitigate them.

Only 33 per cent of the sample benefits realisation plans effectively laid out the expected benefits and set out measures and targets for these.

Figure 3Y shows that less than half of the planning documents reviewed had the minimum elements required for these documents.

Figure 3Y
Review of a sample of documents provided in the survey



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.12 Performance monitoring

Government investments are meant to address a public need and to realise identified benefits. ICT projects cannot be considered successful if project managers are unable to demonstrate realised benefits, and therefore assure Parliament and the Victorian community that the investment of public funds resulted in public value.

It is important to develop a benefits realisation plan at project commencement, to allow project managers to track, evaluate and report on the delivery of identified benefits.

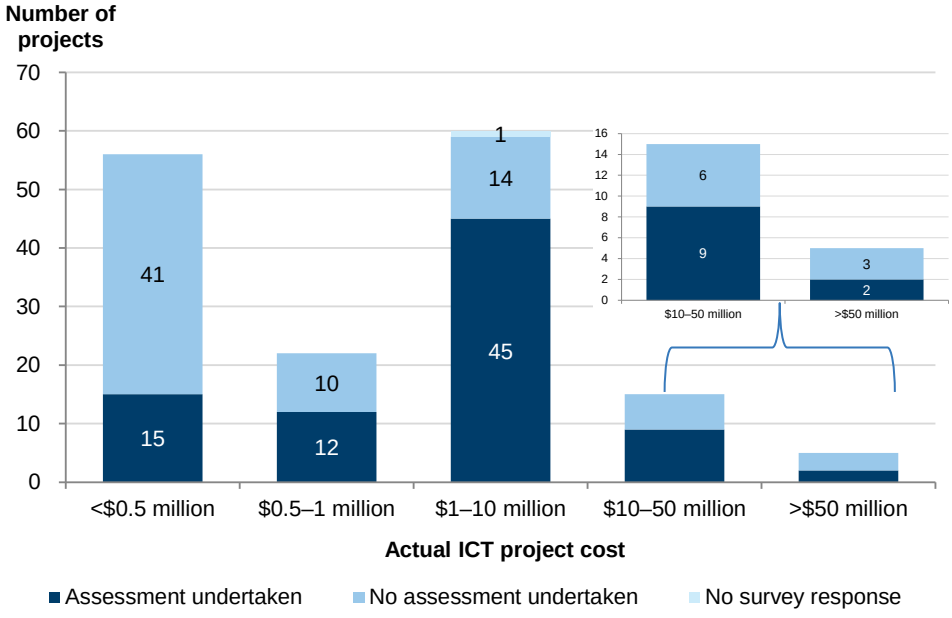
3.12.1 Benefits realisation plans

Survey responses show that very few agencies measure the efficiency and effectiveness of their ICT investments. This means that it is very difficult to obtain consistent and meaningful data on benefits realisation for management purposes.

As indicated in Section 3.11.1, only 315 or a quarter of reported ICT projects had benefits realisation plans. Of these, 158 are for completed projects. This means that only 20 per cent of completed projects had benefits realisation plans.

Figure 3Z shows that of the 158 benefits realisation plans for completed projects only half were implemented to assess the achievement of identified benefits. This means that a little over 10 per cent of the 788 completed projects were assessed for benefits realisation.

Figure 3Z
Number of benefits realisation plans for completed ICT projects by actual cost categories



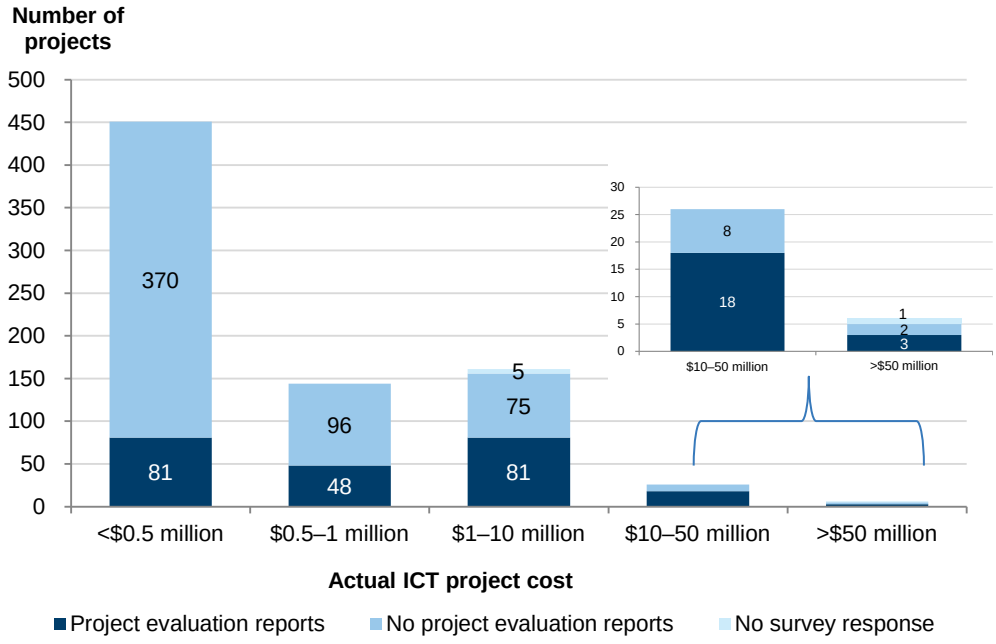
Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

3.12.2 ICT project evaluation reports

Agencies were also asked whether project evaluation reports were prepared for those ICT projects completed during 2011–12, 2012–13 and 2013–14. These reports should focus on compliance or deviation from initial project costs and expected completion dates, as well as any lessons learned. Assessments on the achievement of expected benefits do not necessarily form part of project evaluation reports.

Of the 788 completed projects, only 231, or 29 per cent, were covered by project evaluation reports, as detailed in Figure 3AA.

Figure 3AA
Evaluation reports for completed ICT projects by actual cost categories



Source: Victorian Auditor-General's Office survey of 417 agencies, 2014.

Recommendations

That the Department of Premier and Cabinet:

6. establishes a public-facing reporting mechanism that provides relevant project status information on ICT projects across the public sector—key metrics and project information reported should include, but not be limited to: costs, timelines, governance, and benefits realisation
7. provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately planning, managing and implementing their information and communications technology projects.

That department Secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to:

8. appropriately plan, manage and implement their information and communications technology projects.

Appendix A.

Audit Act 1994 section 16—submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994*, a copy of this report, or part of this report, was provided to the relevant agencies with a request for their submissions or comments.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

Responses were received as follows:

RESPONSE provided by the Secretary, Department of Premier and Cabinet

Department of Premier and Cabinet

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B15/1195

Mr John Doyle
Auditor-General
Level 24, 35 Collins Street
Melbourne VIC 3000

23 March 2015

Dear Mr ~~Doyle~~ John

Thank you for your letter of 4 March 2015 covering your proposed performance audit report: "Digital dashboard: Status review of major ICT (information and communications technology) projects and initiatives".

Thank you for the opportunity to consider the report and its recommendations. ICT is a significant component of operating government and its services. My department shares your focus in ensuring appropriate oversight, disclosure, and project governance are in place for ICT related activities.

We will work with selected public service bodies based on scale, risk, expenditure, and the nature of their business to improve ICT transparency and governance over the coming months.

The enclosed table sets out my Department's response to the report's recommendations.

Yours sincerely

Chris Eccles
Secretary

State Government Victoria

Your details will be dealt with in accordance with the *Public Records Act* 1973 and the *Privacy and Data Protection Act 2014 (Vic)*. Should you have any queries or wish to gain access to your personal information held by this Department please contact our Privacy Officer at the above address.

RESPONSE provided by the Secretary, Department of Premier and Cabinet – continued

Attachment A

DPC Response to all Recommendations of the Digital Dashboard Audit 2015

Number	Recommendation	Response	Timing
1	That DPC provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately and comprehensively monitoring their information and communications technology expenditure.	**Accepted.** DPC has considered this recommendation in conjunction with DTF. DPC recognises the value of agencies monitoring relevant ICT expenditure to enable decision-making by each entity's management in the delivery of its objectives and outputs. DPC will, in conjunction with DTF and departments, develop a consistent methodology and associated guidance for capturing ICT expenditure to ensure better management reporting and monitoring of ICT expenditures. An appropriate timeline for having a consistent means of tracking ICT expenditure implemented within agencies will be determined.	**30 Sep 2015** Agreed accounting approach, and implementation timeline confirmed with agencies
2	That DPC together with the Department of Treasury and Finance, considers and implements an appropriate, consistent and mandatory monitoring and disclosure framework for Victorian agencies and entities to better record and report their overall information and communications technology expenditure in their annual reports, similar to the current disclosure framework for consultancies and government advertising.	**Accepted.** DPC has considered this recommendation in conjunction with DTF. DPC supports mandatory reporting of overall information and communications technology (ICT) expenditure in annual reports, particularly where such expenditures are individually significant in achieving the entity's objectives and outputs. DTF recognises the value of entities being able to monitor relevant ICT expenditure to enable decision making by each entity's management in the delivery of its objectives and outputs. Accordingly, DTF will work with DPC to develop further guidance to assist entities with better monitoring and appropriately recording their ICT expenditures. Primary responsibility for compliance with Government policies, including expenditure policies, rests with individual entities, in accordance with the financial management framework.	**30 Sept 2016**

RESPONSE provided by the Secretary, Department of Premier and Cabinet – continued

Number	Recommendation	Response	Timing
3	That DPC publicly reports, on an annual basis, on government's information and communications technology expenditure and using this information to aim for efficiencies in the purchase and use of information and communications technology.	**Accepted.** DPC accepts that government ICT expenditure should be analysed to seek whole of government efficiencies in the purchase and use of ICT. DPC will work with departments using a summary of the information collected under the response to Recommendation 1, to provide high-level public information such as the government's annual expenditure figure.	**From 1 July 2016** Based on the results of Recommendation 1, up to nine months for implementation has been allowed for agencies. DPC's analysis will continue from that date.
4	That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division.	**Accepted.** ICT expenditure generally is an input cost to support the delivery of goods and services funded by the Government. The responsibility for oversight of input costs rests with portfolio entities, consistent with the government's financial management framework. DPC will review its current governance and reporting arrangements for ICT expenditure within DPC and its portfolio agencies, and will issue guidance. DPC notes that department Secretaries do not consistently have directive authority over all agencies within their portfolio. The guidance will be provided to selected public service bodies based on scale, risk, expenditure, and the nature of their business.	**31 October 2015** Guidance issued to DPC and its portfolio agencies; guidance issued to department Secretaries and chief executives of named agencies for use with their portfolio agencies.
5	That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.	**Accepted.** ICT expenditure generally is an input cost to support the delivery of goods and services funded by the Government. The responsibility for the appropriate monitoring and recording of input costs rests with portfolio entities, consistent with the government's financial management framework. Based on the outcome of the action proposed for Recommendation 1, DPC will review its current monitoring and recording arrangements for ICT expenditure within the Department and its portfolio agencies, and will issue guidance to its portfolio agencies. DPC notes that department Secretaries do not consistently have directive authority over all agencies within their portfolio. The guidance will be provided to selected public service bodies based on scale, risk, expenditure, and the nature of their business.	**30 November 2015** The direction and advice will be issued following the implementation of Recommendation 1.

RESPONSE provided by the Secretary, Department of Premier and Cabinet – continued

Number	Recommendation	Response	Timing
6	That DPC establishes a public-facing reporting mechanism that provides relevant project status information on ICT projects across the public sector. Key metrics and project information reported should include, but not be limited to: costs, timelines, governance, and benefit realisation.	**Accepted.** DPC proposes to report on ICT projects with a budget greater than $1 million. The information will be rolled up into an agency-level report updated quarterly. DPC does not have the authority to require departments and agencies to report the status of their ICT projects. However, DPC will work with selected public service bodies based on scale, risk, expenditure, and the nature of their business on a request basis to collect this information. DPC notes that some agencies undertake ICT projects that are covert (for example, Victoria Police), for which it would be inappropriate to report a status publicly.	**31 August 2015** For DPC portfolio projects. **31 March 2016** For other department and agency reporting, on a request basis.
7	That DPC provides strategic leadership and effective guidance to Victorian agencies and entities on appropriately planning, managing and implementing their information and communications technology projects.	**Accepted, in conjunction with DTF.** DPC has considered this recommendation in conjunction with DTF. DTF currently provides strategic leadership and oversight for High-Value High-Risk ICT projects, and issues public advice which is applicable to other ICT projects. DTF also manages the Gateway process which provides information and services to project sponsors. DPC is currently funding ICT Project Governance training for Victorian Government executives (being delivered via the Victorian Public Sector Commission). DPC will examine the suitability of current ICT project approval processes and review project guidance to determine if this is the best approach for ICT projects. DPC will review each quarter the information contained in project status reporting provided under Recommendation 6.	**30 November 2015** Review and issue or reissue guidance for ICT projects based on the outcome of the review. **Ongoing until 31 December 2015** Governance Training **From 31 March 2016** Review project status reporting
8	That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to appropriately plan, manage and implement their information and communications technology projects.	**Accepted, in conjunction with DTF.** DPC has considered this recommendation in conjunction with DTF. DTF currently issues public project management advice which is applicable to ICT projects, and which can be utilised by any government entity. Together with DTF, DPC will review current project guidance and reissue this as necessary based upon the results of that review, and the findings of this Audit Report. DPC notes that department Secretaries do not consistently have directive authority over all agencies within their portfolio. The guidance will be issued to selected public service bodies based on scale, risk, expenditure, and the nature of their business.	**30 November 2015** Review and issue or reissue guidance for ICT projects.

RESPONSE provided by the Secretary, Department of Treasury and Finance

Department of Treasury and Finance

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24 MAR 2015

Mr John Doyle
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

John
Dear Mr Doyle

PROPOSED DRAFT - DIGITAL DASHBOARD: STATUS REVIEW OF ICT PROJECTS AND INITIATIVES

Thank you for your letter of 4 March 2015 inviting a response to the proposed performance audit report *Digital Dashboard: Status review of ICT projects and initiatives*.

The Department of Treasury and Finance (DTF) accepts the recommendations relevant to DTF. Responses to these recommendations are attached to this letter.

Thank you for the opportunity to comment on the report.

Yours sincerely

D. T. Martine

David Martine
Secretary

State Government Victoria

Department of Treasury and Finance
Auditor-General's performance audit on *Digital Dashboard: Status Review of ICT Projects and Initiatives*
March 2015

The Department welcomes the opportunity to comment on the audit report. The Department's specific management response is detailed below.

Recommendation	Proposed action	Completion Date
2. That the Department of Premier and Cabinet together with the Department of Treasury and Finance, considers and implements an appropriate, consistent and mandatory monitoring and disclosure framework for Victorian agencies and entities to better record and report their overall information and communications technology expenditure in their annual reports, similar to the current disclosure framework for consultancies and government advertising.	The Department of Treasury and Finance (DTF) supports mandatory reporting of overall information and communications technology (ICT) expenditure in entity annual reports, particularly where such expenditures are individually significant in achieving the entity's objectives and outputs. DTF recognises the value of entities being able to monitor relevant ICT expenditure to enable decision-making by each entity's management in the delivery of its objectives and outputs. Accordingly, DTF will work with the Department of Premier and Cabinet (DPC) to develop further guidance to assist entities with better monitoring and appropriately recording their ICT expenditures. Primary responsibility for compliance with government policies, including expenditure policies, rests with individual entities, in accordance with the financial management framework.	30 Sept 2016
4. That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division.	DTF will work with all entities within its portfolio responsibility to establish agency or entity-wide oversight of ICT expenditure relating to ICT projects, where the entity is not already doing so.	31 Oct 2015

RESPONSE provided by the Secretary, Department of Treasury and Finance – continued

5. That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.	DTF will work with entities within its portfolio responsibility to appropriately record and monitor all costs associated with ICT projects.	30 Nov 2015
8. That department Secretaries, under the guidance of DPC, work with agencies and entities within their portfolio responsibilities to appropriately plan, manage and implement their information and communications technology projects.	DTF will work with entities within its portfolio responsibility to improve the planning, management and implementation of ICT projects.	30 Nov 2015

RESPONSE provided by the Secretary, Department of Economic Development, Jobs, Transport & Resources

Department of Economic Development, Jobs, Transport & Resources

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DX210292

Ref: DOC/15/125236

Mr John Doyle
Auditor- General
Victorian Auditor- General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Doyle

PROPOSED PERFORMANCE AUDIT REPORT
DIGITAL DASHBOARD: STATUS REVIEW OF MAJOR ICT PROJECTS AND INITIATIVES

Thank you for your letter dated 4 March 2015 providing the opportunity to comment on the proposed report for your performance audit titled Digital dashboard: Status review of major ICT projects and initiatives.

The Department of Economic Development, Jobs, Transport and Resources recognises the need for the state to have effective investment in technology systems and oversight of this investment.

The department supports recommendations 4, 5 and 8 that apply to all departments.

Should you require further information please do not hesitate to contact Sue Eddy, Lead Deputy Secretary, Financial Management and Technology Services on Tel: 8392 6591 or Email: sue.eddy@ecodev.vic.gov.au.

Yours sincerely

Richard Bolt
SECRETARY

1913 115

RESPONSE provided by the Secretary, Department of Environment, Land, Water and Planning

Department of Environment, Land, Water and Planning

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Ref: SEC011043

Mr John Doyle
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Level 24, 35 Collins Street
MELBOURNE VIC 3000

RECEIVED
25 MAR 2015
VICTORIAN AUDITOR-GENERAL'S OFFICE

24 MAR 2015

Dear Mr Doyle John,

PROPOSED PERFORMANCE AUDIT REPORT - DIGITAL DASHBOARD: STATUS REVIEW OF MAJOR ICT PROJECTS AND INITIATIVES

Thank you for the opportunity to respond to the proposed report on the Digital Dashboard: Status Review of Major ICT Projects and Initiatives.

The Department of Environment, Land, Water and Planning (DELWP) accepts the recommendations directed at department Secretaries, noting that guidance and oversight will come from the Department of Premier and Cabinet (DPC).

Where DPC issues any guidance or requests regarding the reporting of ICT expenditure, or the planning, management or implementation of ICT projects, DELWP will work to put in place appropriate mechanisms with respect to the department's activities, and will, where appropriate, refer portfolio agencies to DPC's guidance material.

DELWP will also continue to monitor and report its ICT expenditure in accordance with relevant financial legislation and consistent with the government's financial management framework. It will also respond as appropriate to any DPC requests for reporting on its ICT projects.

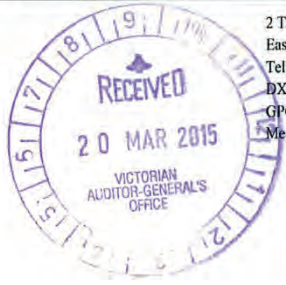
Yours sincerely

Adam Fennessy
Secretary

RESPONSE provided by the Secretary, Department of Education and Training

Department of Education and Training

Office of the Secretary



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COR008310

Mr John Doyle
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE 3000

Dear Mr Doyle

Proposed Report: Digital Dashboard: Status Review of ICT Project and Initiatives

Thank you for your letter of 4 March 2015 providing an opportunity to comment on the proposed report and recommendations of the Digital Dashboard: Status Review of ICT Project and Initiatives audit.

The Department has reviewed the report and accepts the recommendations. Enclosed with this letter is the Department's response to the recommendations and a plan outlining the actions the Department commits to taking to address the relevant recommendations in the report.

Should you wish to discuss the Department's response, please contact Sri Indra, Acting Director, Audit and Risk, Department of Education and Training, on 9947 1863 or by email: indra.sri.s@edumail.vic.gov.au.

Yours sincerely

Gill Callister
Secretary

19/3/2015

Encls

State Government Victoria

This original has been printed in black and white on recycled paper to reduce cost and environmental impact.

RESPONSE provided by the Secretary, Department of Education and Training – continued

Digital Dashboard – Action plan and response to recommendations

#	Recommendations That department secretaries, under the guidance of the Department of Premier and Cabinet, work with all agencies and entities within their portfolio responsibilities to:	Response	Implementation actions	Timeframe
4	Establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division.	Accept	4.1 The Department will implement improved oversight of ICT expenditure progressively from 1 July 2015. This will be informed by guidance from DPC.	December 2015
5	Appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.	Accept	5.1 The Department will implement improved processes for the recording and monitoring of ICT expenditure progressively from 1 July 2015. This will be informed by guidance from DPC.	December 2015
8	Appropriately plan, manage and implement their information and communications technology projects.	Accept	8.1 The Department will review and enhance project planning and delivery processes for ICT projects in line with the guidelines published by DPC.	December 2015

RESPONSE provided by the Secretary, Department of Health & Human Services

Secretary
Department of Health & Human Services

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17 MAR 2015

RECEIVED
19 MAR 2015
VICTORIAN AUDITOR-GENERAL'S OFFICE

e3752195

Mr John Doyle
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Doyle

The department thanks the audit office for its proposed report on *Digital Dashboard: Status review of major ICT projects and initiatives*.

The department recognises the challenges of providing greater visibility of major information and communication technology projects and initiatives across Victorian Government agencies and supports this initiative to mirror similar activity undertaken in other jurisdictions.

Work is already well underway within the department to collect and report on departmental information and communication technology projects. The department is also progressing similar activity for major sector information and communication projects, noting that most of this work is already covered by capital planning processes and/or the Department of Treasury and Finance's high value/high risk reporting requirements.

I understand that some small errors of fact have already been passed to your auditor, Dr Elsie Alcordo, who has confirmed they will be corrected in the final report.

The department accepts all recommendations made by the audit and, where these pertain to the Department of Premier and Cabinet, will assist if required or as requested.

Yours sincerely

Dr Pradeep Philip
Secretary

Enc. Response provided by Secretary, Department of Health and Human Services

State Government Victoria

RESPONSE provided by the Secretary, Department of Health & Human Services – continued

Department of Health and Human Services response to recommendations provided to the department in the performance audit on *Digital Dashboard: Status review of ICT Projects and Initiatives*.

General

The department notes that currently there is no agreed definition of categories of information and communication technology and this is required for central oversight.

The department also notes the definition of an information and communication technology project in the report is extremely broad. The department believes that for central oversight of information and communication technology projects to be efficient and effective, there needs to be a definition that clearly specifies a scope of activity together with agreement on value/risk metrics so that reporting activity is focused on material projects.

The report notes that the actual cost of Health*SMART* was $329 million, which differs from the Ombudsman's estimated cost of $471 million. This latter figure contains operating costs for a period of time; operating costs were not stipulated for inclusion in the survey.

Recommendations

The department notes that recommendations 1, 2, 3, 6 and 7 are matters for the Department of Premier and Cabinet to address. With respect to the recommendations specifically addressed to the department, the following response is provided.

That department Secretaries, under the guidance of the Department of Premier and Cabinet, direct all agencies and entities within their portfolio responsibilities to:

Recommendation 4: establish agency or entity-wide oversight of its information and communication technology expenditure, including those incurred by business units independently of the information technology division.

Accepted

The department will review current processes for oversight of information and communication technology expenditure and align these to the guidance to be issued by the Department of Premier and Cabinet within six months of Department of Premier and Cabinet issuing guidance.

Recommendation 5: appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training, etc.

Accepted

The department will arrange to report whole-of-department information and communication technology expenditure for monitoring through its information and communication technology governance structure on a periodic (at least annual) basis.

Recommendation 8: appropriately plan, manage and implement their information and communications technology projects.

Accepted

2

State Government Victoria

RESPONSE provided by the Secretary, Department of Justice & Regulation

Department of Justice & Regulation

Secretary

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RECEIVED
22 MAR 2015
VICTORIAN AUDITOR-GENERAL'S OFFICE

20 MAR 2015

Our ref: CD/15/106068

Mr John Doyle
Auditor-General
Victorian Auditor-General's Office
Level 24, 35 Collins Street
MELBOURNE VIC 3000

Dear Mr Doyle

Audit of Digital Dashboard: Status Review of ICT Projects and Initiatives

Thank you for your letter dated 4 March 2015 enclosing the audit report *Digital Dashboard: Status Review of ICT Projects and Initiatives* and the invitation to provide a formal response.

The Department of Justice & Regulation (the department) recognises the need for the Victorian public sector to have good governance structures in place to ensure that ICT investments result in public value.

The department welcomes the findings articulated in the report and accepts all recommendations. A proposed action plan for the implementation of the recommendations is provided at Attachment 1.

Completion of actions addressing the recommendations will be monitored via the department's Audit Tracking Register, which is updated and attested to by Deputy Secretaries, and reviewed by the department's Audit and Risk Management Committee, on a quarterly basis.

Thank you for the opportunity to comment on the report.

Yours sincerely

Greg Wilson
Secretary

Encl. Proposed Action Plan – Digital Dashboard: Status Review of ICT Projects and Initiatives

State Government Victoria

RESPONSE provided by the Secretary, Department of Justice & Regulation – continued

Attachment 1: Proposed Action Plan – *Digital Dashboard: Status Review of ICT Projects and Initiatives*

Department of Justice & Regulation response to VAGO recommendations

Recommendation	Proposed Action	Completion Date
Recommendation 4 That department Secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to establish agency or entity-wide oversight of its information and communications technology expenditure, including those incurred by business units independently of the information technology division.	The department accepts the three recommendations and will, under the guidance of the Department of Premier and Cabinet, reinforce the importance to the Justice Portfolio of agency or entity-wide oversight of ICT expenditure. Notwithstanding this, the department has existing standing executive sub-committees in place to oversee ICT projects and expenditure including, but not limited to: • the Knowledge Management Committee, which is the department's peak executive ICT governance body • the Justice Implementation Governance and Monitoring Committee, that oversees all significant projects including budget output and asset funded initiatives. In addition, the department has a range of organisational frameworks, systems and processes in place which provide the ability to monitor and record agency-wide information and communications technology expenditure. These include but are not limited to: • the Project Management Excellence Framework which covers lifecycle phases, key decision points, reporting, establishment of a common language and definitions, and publications and standardised templates • Procure to Pay (P2P) which seeks to standardise how the department procures and purchases goods and services, including ICT • Oracle Financials which is the principal financial system for the department • Contrax, which is the department's principal contracts and contractor management system that assists in the effective acquittal of responsibilities throughout the procurement life cycle.	30 June 2015
Recommendation 5 That department Secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to appropriately monitor and record agency-wide information and communications technology expenditure including associated costs for internal staff, training etc.		
Recommendation 8 That department Secretaries, under the guidance of the Department of Premier and Cabinet, work with agencies and entities within their portfolio responsibilities to appropriately plan, manage and implement their information and communications technology projects.		

RESPONSE provided by the Managing Director, Yarra Valley Water Corporation

Yarra Valley Water

YARRA VALLEY WATER
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16 March 2015

Mr John Doyle
Victorian Auditor-General
Level 23, 35 Collins Street
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Dear Mr Doyle

Re: Yarra Valley Water Corporations response to Digital Dashboard Audit

Thank you for your letter dated 5 March2015 in relation to the Proposed Performance Audit Report - Digital Dashboard : Status review of major ICT projects and initiatives.

Yarra Valley Water (YVW) notes it is identified as an organisation with one of the highest IT expenditure levels in the Environment and Primary Industries segment of the Report covering the three-year period 2011 through 2014. Please find below some additional information relating to the observations of the audit:

- YVW commenced operation in 1995 and established its foundation IT systems and infrastructure shortly afterwards. In 2009, an IT Strategic Plan was established that progressively replaced ageing IT systems as they were reaching the end of their operational life. These systems were becoming costly to maintain, increased our business risk and didn't provide the functionality required to meet our customers' current and future needs. The IT Strategic Plan was executed from 2010 through 2014, so the VAGO Digital Dashboard captures that period of significant planned IT renewal at YVW.

- Having successfully delivered the IT Strategic Plan our projected IT spend for the 2014-15 financial year is 45% lower than in 2011-12, with further reductions anticipated in future years.

- Our IT investment during the period has delivered significant business efficiencies, with an 11.2% reduction in operational expenditure achieved over the past 2 years and a forecast reduction of 17% reduction by 2016/17. These savings have kept pressure off customer prices and contribute to an annual reduction of $100 off customer bills for the period 2014/15 to 2017/18.

Yours sincerely

Pat McCafferty
Managing Director

Auditor-General's reports

Reports tabled during 2014–15

Report title	Date tabled
Technical and Further Education Institutes: Results of the 2013 Audits (2014–15:1)	August 2014
Coordinating Public Transport (2014–15:2)	August 2014
Managing the Environmental Impacts of Transport (2014–15:3)	August 2014
Access to Legal Aid (2014–15:4)	August 2014
Managing Landfills (2014–15:5)	September 2014
Management and Oversight of the Caulfield Racecourse Reserve (2014–15:6)	September 2014
Effectiveness of Catchment Management Authorities (2014–15:7)	September 2014
Heatwave Management: Reducing the Risk to Public Health (2014–15:8)	October 2014
Emergency Response ICT Systems (2014–15:9)	October 2014
Public Sector Performance Measurement and Reporting (2014–15:10)	October 2014
Mental Health Strategies for the Justice System (2014–15:11)	October 2014
Information and Communications Technology Controls Report 2013–14 (2014–15:12)	October 2014
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2013–14 (2014–15:13)	October 2014
Additional School Costs for Families (2014–15:14)	February 2015
Responses to 2012–13 Performance Audit Recommendations (2014–15:15)	February 2015
Water Entities: Results of the 2013–14 Audits (2014–15:16)	February 2015
Portfolio Departments and Associated Entities: Results of the 2013–14 Audits (2014–15:17)	February 2015
Public Hospitals: Results of the 2013–14 Audits (2014–15:18)	February 2015
Efficiency and Effectiveness of Hospital Services: High-value Equipment (2014–15:19)	February 2015
Effectiveness of Support for Local Government (2014–15:20)	February 2015
Local Government: Results of the 2013–14 Audits (2014–15:21)	February 2015
Managing Regulator Performance (2014–15:22)	March 2015
Education Transitions (2014–15:23)	March 2015

Report title	Date tabled
Emergency Service Response Times (2014–15:24)	March 2015

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