The Auditor-General
Audit Report No.21 2008–09
Performance Audit

The Approval of Small and Medium Sized Business System Projects

Department of Education, Employment and Workplace Relations

Department of Health and Ageing

Department of Veterans' Affairs

Australian National Audit Office

ISSN 1036–7632

ISBN 0 642 81052 4

COPYRIGHT INFORMATION

Australian National
Audit Office

Canberra ACT
10 February 2009

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the *Department of Education, Employment and Workplace Relations, the Department of Health and Ageing and the Department of Veterans' Affairs* in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *The Approval of Small and Medium Sized Business System Projects.*

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—http://www.anao.gov.au.

Yours sincerely

Ian McPhee
Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
Parliament House
Canberra ACT

AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:
The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: **(02) 6203 7505**
Fax: **(02) 6203 7519**
Email: **webmaster@anao.gov.au**

ANAO audit reports and information about the ANAO are available at our internet address:

http://www.anao.gov.au

Audit Team
Richard Lansdowne
Harit Wadhawan
Albert Zehetner
Dr Paul Nicoll

Contents

Tables

Figures

Glossary and Abbreviations

ANAO	Australian National Audit Office
Business case	A document that provides a decision-maker with the information they need to make a fully informed decision on whether an investment should proceed.
Business case template	A standard format in an agency for a business case, typically with set headings and explanations of required content.
COBIT	Control Objectives for Information and Related Technology
DEEWR	Department of Education, Employment and Workplace Relations
DEST	Department of Education, Science and Training
DoHA	Department of Health and Ageing
DVA	Department of Veterans' Affairs
Finance	Department of Finance and Deregulation
Gateway Review Process	A project assurance methodology that involves short, intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project. Gateway applies to new projects undertaken by agencies subject to the *Financial Management and Accountability Act 1997*, which require Government approval and which satisfy certain financial and risk thresholds. The Gateway financial thresholds are $10 million for ICT projects and $20 million for procurement and infrastructure projects.
ICT	Information and Communications Technology

Summary and Recommendations

Summary

Introduction

1. The Australian Government uses a wide range of business systems, typically to support program delivery and for internal management purposes. Because of new or changed programs, or to improve efficiency, government agencies often need to develop new business systems, or change existing systems. This is done by planning, approving and implementing a business system project.

2. These projects typically involve several steps. The project objectives and system requirements are researched and agreed. Next, the Information Communications and Technology (ICT) software for the business system is obtained by either purchase - perhaps with subsequent tailoring - or by development. Then the system is implemented, which involves preparing new procedures, installing any ICT equipment required, providing training to the people who use or are affected by the new system, and transferring or entering all the data needed. Business benefits are more likely to be achieved if both ICT and business activities are effectively planned and carried out.

3. Significant expenditure is involved - for example, in 2007–08 Australian Government agencies subject to the *Financial Management and Accountability Act 1997* spent an estimated $1 billion on the creation of new ICT capabilities.

Audit scope and objective

4. The objective of this audit was to assess whether selected agencies effectively managed the initial planning and approval of small and medium sized business system projects.

5. The focus of the audit was on:

- projects with a business objective, such as implementing a new program, rather than a technology focus, such as replacing an agency's desktop computers;
- the approval stage of business system projects as this is a significant contributor to project success[1]; and

[1] The audit has not reviewed post-approval activities such as project management, and financial management.

- agencies which generally undertake ICT projects valued at under $10 million each, as these small and medium value projects are generally not the subject of other reviews.

6. The three Australian Government agencies involved in this audit were the former Department of Education, Science and Training[2], the Department of Health and Ageing, and the Department of Veterans' Affairs.

7. To address the audit objective, in each of the audited agencies the ANAO:

- reviewed the arrangements for business system approval (such as policies and governance structures) in comparison with good practice;
- reviewed the operation of the arrangements for business system approval in practice (by examining a selection of business cases, and governing committee minutes); and
- identified the results for some projects in comparison to the approval.

8. Following the conduct of audit fieldwork, each audited agency was provided with a management report setting out audit findings, conclusions and recommendations for improvement.

9. In examining the arrangements and approvals, the ANAO considered there are three key aspects to the effective initial planning and approval of a business system project:

- the decision-maker being provided with appropriate information on which to make the decision - typically in a project business case, or investment proposal;
- the project being defined with a focus on business results, rather than on ICT systems; and
- decisions being clear, and documented.

Conclusion

10. Business systems are used by the Australian Government to support program delivery and for internal management. Each year government agencies spend an estimated $1 billion on new ICT capabilities. This audit

[2] The audit fieldwork was undertaken at the former Department of Education, Science and Training (DEST), which became part of the new Department of Education, Employment and Workplace Relations in December 2007.

reviewed the approval of small and medium sized business system projects. Projects of this size often support targeted Government initiatives and improvements to internal efficiency that tend not to be subject to the same level of review as larger projects.

11. Overall, the ANAO concluded that the three agencies subject to audit were in most cases planning and approving the ICT component of business system projects adequately. However there was scope to improve the planning and definition of the business component of projects and to undertake better quality assurance of proposals. In addition, improving the clarity of project approval decisions, particularly in setting out the planned business benefits, would increase the focus on achieving business benefits during implementation and subsequent operation.

12. The three agencies had each approved governance arrangements for business system projects which, with minor exceptions, were soundly designed. They had also periodically reviewed and improved their arrangements. The governance arrangements were usually followed, although several projects inappropriately bypassed the approved processes.

13. Agencies had clearly established the reasons for the 62 projects examined during this audit, with the planned business benefits described in most cases. However, the benefits were often described in general terms without specific targets set, and without a specific plan to measure the benefits. In most cases the ICT aspects of the projects were appropriately defined. However, in many cases, business activities needed to achieve the identified benefits were not included in the project scope. Addressing these issues early in planning, by setting indicative targets for benefits and checking the scope of work, would assist with decisions on which proposals go to the next stage of planning.

14. In many business cases, there was inadequate information for a 'reality check' of the proposed approach, planned benefits, and the likely cost and timetable. For example, information about project assumptions, the analysis of options, addressing identified risks and stakeholder issues, and lessons from similar projects was often incomplete or missing. Greater emphasis given to gaining assurance around these critical elements of the business case is likely to improve the rate of project success. Accordingly, a priority for improvement during detailed planning is the validation of the proposal, so decisions can be made using reliable information.

15. The ANAO examined the outcomes for 13 projects. Most of these projects delivered the intended ICT systems and functions at close to the forecast cost. A number of projects successfully met challenging schedules. However, half of the projects took 50 per cent or more longer than planned.

16. Notwithstanding the ICT successes, in many cases the forecast business benefits - such as cost saving or improved service - had not been demonstrated. Contributing factors to this include the absence of approved targets for benefits, and a lack of checking during implementation of progress toward planned benefits. Accordingly, recording the project approval concisely, with targets for interim and long term benefits, would help focus the attention of those proposing, approving and implementing the project on its fundamental purpose.

17. The ANAO made 3 recommendations designed to improve agencies' approval arrangements for business system projects.

Key findings by chapter

Governance arrangements (Chapter 2)

18. All three agencies had developed policies, procedures, guidance material and committee structures to support the initial planning and approval of business system projects. Typically there was a committee focused on strategic issues related to information, technology and business investment. This committee was supported by operational committees focused on developing strategic options and assessing and making recommendations on business technology investments.

19. Overall the three agencies had arrangements for business system approval that were designed appropriately, with scope to improve the focus on achieving business benefits. The ANAO found that the agencies had:

- established their governance arrangements for business system approval following reasonable research and review;
- designed the processes and committee structures of the approval arrangements reasonably, although in two agencies there was insufficient coordination with their annual business planning;
- identified key issues for consideration at initiation reasonably, with scope for improvements to guidance material - particularly for business benefits; and

- provided adequate practical support for the approval arrangements.

20. The processes and committees generally operated as designed. However, in several cases, projects bypassed the expected approval processes.

Developing and approving business cases (Chapter 3)

21. The three agencies had considered several hundred project proposals over the period 2004–05 to 2007–08. The ANAO examined the initiation of 62 projects which had a business system - rather than ICT infrastructure - focus. These 62 projects were estimated to cost $152 million.

22. The ANAO assessed the information provided to decision-makers and reviewers when they were asked to approve business system projects. The ANAO assessed the presence and quality of 29 elements of information relevant to sound approval, such as the project scope, the business benefits, the identification of risks, and cost benefit analysis. The findings on these 29 elements are summarised in Table 1 under five broad headings, namely information about the project's reason, specification, implementation planning, validation, and authorisation.

Table 1

Areas of initiation, and overall summary assessment for the 62 projects examined

Description of each area of initiation	Summary assessment
The **reason** for the project is provided, to assist in judging the relative priority of the project against other organisational objectives, and to help guide the project team during implementation to make any changes in the context of that reason.	Satisfactory
There is a **specification** of the project which concisely, clearly and completely describes what is to be delivered, the overall time and cost limits, and what benefits those deliverables will support.	Scope to improve
The **implementation** approach is described in sufficient detail to provide confidence that the project is in fact achievable, and to set a means for assessing and monitoring implementation progress.	Mostly satisfactory
There is **validation** of the project specification and implementation plan: that is, checking that the specific plan put forward is an appropriate way to fulfil the need. This will include consideration of options and their relative merits, and also additional detail and justification of the proposed cost and timetable.	Important area for improvement
Authorisation: decisions on the project are clearly stated, properly documented and taken by the appropriate person.	Mostly satisfactory

Source: ANAO analysis.

23. Satisfactory levels of information were provided on the reason and implementation planning of the projects. There was adequate authorisation of the projects.

24. There were less satisfactory findings on the quality of the specification and validation of the projects. The more significant opportunities for improvement were:

- Most projects did not include arrangements to measure and monitor planned business benefits; with the risk these benefits would not be achieved.
- Some projects had not described the processes to be automated clearly enough to allow firm costing, and many did not describe other important requirements, such as work volumes, expected system life and security, that also affect the project feasibility and cost.
- Many projects had not clearly identified the key project assumptions, leaving a risk that the project was underpinned by invalid assumptions.
- Most project proposals did not report research on similar projects to help provide a 'reality check' on the project timetable, cost and benefits.
- While most projects properly identified risks and potential stakeholder issues, they had not made sufficient allowance to address them.

Project results (Chapter 4)

25. The ANAO assessed the results of 13 of the 62 projects in comparison to the approved budget, schedule, and objectives.

26. Most of these projects were completed with costs close to the planned budget, and several were under budget. However, one project cost more than double the planned budget. In terms of schedule, half of the projects took 50 per cent or more longer than planned. Nevertheless, projects to deliver new programs to the public generally provided the most important features on time - often to challenging schedules.

27. Project steering committees in most instances monitored implementation progress, such as the development and testing of software modules to provide specific functions. However, they generally did not assess progress toward approved business benefits, such as 'faster reporting' or 'reduced processing costs'.

28. In terms of objectives, the projects generally delivered their planned ICT systems and functions. In most cases, business benefits were broadly identified, but were not set on a basis that would allow definite assessment of project success. Moreover, agencies had not assessed the business benefits at the end of most projects.

Summary of agencies' responses

29. Each of the audited agencies, together with the Department of Finance and Deregulation, agreed with the three recommendations. Where provided, agencies' additional responses to the recommendations are included in the body of the report, and agencies' general comments are included at Appendix 1.

Recommendations

The following recommendations are based on findings from fieldwork at the audited agencies. They are likely to be relevant to all APS agencies. Therefore, all APS agencies are encouraged to assess the benefits of implementing the recommendations in light of their own circumstances, including the extent that each recommendation, or part thereof, is addressed by practices already in place.

Recommendation No. 1

Para 3.28

The ANAO recommends that agencies' requirements for projects to proceed past the early planning stage include:

(a) indicative targets for business benefits; and

(b) confirmation that the project scope includes both the business and ICT activities needed to achieve the intended benefits.

Recommendation No. 2

Para 3.47

The ANAO recommends that agencies review, and as appropriate, strengthen processes and support for validating the reliability of business system project business cases. Particular areas for attention are: options identification and analysis; addressing stakeholder needs; addressing identified risks; the appropriateness of assumptions; and learning lessons from similar projects.

Recommendation No. 3

Para 4.16

The ANAO recommends that agencies record the approval of individual projects in a concise project approval statement, which provides a basis for:

(a) assessing overall project success (including time, cost, specific deliverables, and specific business benefits);

(b) monitoring project progress, by setting interim targets and goals (including intended business benefits or associated leading indicators); and

(c) recording responsibility for specific supporting elements of the business case, such as development and implementation costs and realisation of promised benefits.

Audit Findings and Conclusions

1. Introduction

This chapter provides background to the audit and explains the audit approach.

Background

1.1 The Australian Government uses a wide range of business systems, typically to support program delivery and for internal management purposes. Because of new or changed programs, government agencies frequently need to develop new business systems, or change existing systems. This done by planning, approving and implementing a business system project.

Examples of business system projects

1. The Government announced the availability of grants to assist community organisations. The department decided to automate the process of receiving and assessing applications for the grants.

2. A department administered a large program with a complex 15 year old system, which had been developed internally. The age and software used for the computer systems meant that it was difficult to provide Internet access for the public to program information. There was also a high cost in making changes to the old system. To improve public access and reduce costs, the department decided to replace the system, using several commercial 'off the shelf' software packages.

3. A department used the core functions of a large commercially provided financial management system, but still carried out many related activities manually. The department decided to purchase additional modules to automate these manual activities. This would allow data entry and reporting to be carried out by line areas, with a consequential improvement in data accuracy and timeliness, and a reduction in central corporate costs.

1.2 Business systems are introduced and managed through several standard steps. The system objectives are established, and detailed system requirements researched and agreed. An Information and Communications Technology (ICT) system will be obtained by purchase - perhaps with subsequent tailoring or modification - or by development. Implementing the system generally involves preparing new procedures, installing any equipment needed, providing training to the people who use or are affected by the new system, and transferring or entering all the data needed. Most business systems are connected to other systems - for example, a system to assess applications for grants will be connected to an agency's financial system to make grant payments. These connections can add complexity to the introduction of new business systems.

1.3 There is significant expenditure on business system projects by Australian Government agencies. Agencies subject to the *Financial Management and Accountability Act 1997* (FMA Act) spent an estimated $4.3 billion on ICT in 2007-08, including $1 billion for the creation of new capabilities.[3]

1.4 The Department of Finance and Deregulation has developed an ICT Investment Framework for use by agencies. The Framework

> aims to improve the Government's return on investment in information and communication technology by enhancing the strategic planning, management and evaluation of ICT enabled business change programs and projects. The Framework also aims to improve alignment between business and policy objectives and agency ICT investments. ... The Framework provides tools to assist agencies to improve the quality of strategic planning, business cases, project management, and evaluation for ICT investments. It supports planning and the realisation of measurable objectives. It focuses attention on improved risk and cost management, and achieving value for money.[4]

1.5 The Government has introduced a two pass review process for major ICT enabled proposals. The process supports the Government's decisions on major ICT investments. It also supports agencies' implementation of proposals by ensuring the quality of business cases.

1.6 The ICT Two Pass Review process applies to ICT-enabled proposals that: have a total cost estimated to be $30 million or more, including ICT costs of at least $10 million; and involve high risk. Government agreement to these proposals is sought in two stages. At the first pass, Government agreement is sought to develop one or more options for further consideration. First pass consideration is supported by an initial business case. At the second pass, Government agreement is sought to proceed with a proposal. Second pass consideration is supported by a detailed business case.

1.7 In addition, the Australian Government utilises the Gateway Review Process (Gateway) to improve the on-time and on-budget delivery of major projects, including ICT projects, undertaken by FMA Act agencies. The process supports agencies' decisions on these projects. Gateway is a 'project assurance

---

[3] Sir Peter Gershon, *Review of the Australian Government's Use of Information and Communication Technology*, Department of Finance and Deregulation, Canberra, 2008, available from <www.finance.gov.au/publications/ict-review/index.html>, p. 46, p. 3 [accessed 25 September 2008].

[4] Department of Finance and Deregulation, *ICT Investment Framework*, Department of Finance and Deregulation, Australia, available from <http://www.finance.gov.au/budget/ict-investment-framework/index.html> [accessed 25 September 2008].

methodology that involves short, intensive reviews at critical points in the project's lifecycle by a team of reviewers not associated with the project.'[5]

1.8 In March 2008 the Australian Government commissioned Sir Peter Gershon to undertake a review of the Government's use of ICT. The review, amongst a number of issues, considered both the efficiency and effectiveness of the Australian Government's current use of ICT, whether the Government was realising the greatest return from its investments in ICT, and whether the right institutional arrangements were in place to maximise the return. In October 2008 the Minister for Finance and Deregulation publicly released the report of the review. An observation of the review, relevant to this audit, was the benefit of agencies improving their capability to commission, implement and realise the benefits from ICT-enabled projects.[6] On 24 November 2008 the Government announced that it would implement in full the recommendations of the review.[7]

Audit Approach

Audit objective and criteria

1.9 The objective of this audit was to assess whether selected agencies effectively managed the initial planning and approval of small and medium sized business system projects. The key criteria for assessing agencies' performance against this objective were:

(a) agencies have governance arrangements for approving business system projects that accord with sound practice; and

(b) agencies' business system projects were approved on a sound basis.

1.10 This audit focused on the approval of business system projects—projects aiming to achieve a business objective such as reduced costs or to implement a new program, in contrast with projects with a narrower technology focus such as replacing an agency's desktop computers.

---

5 Department of Finance and Deregulation, *Gateway Review Process,* Department of Finance and Deregulation, Canberra, available from <http://www.finance.gov.au/gateway/index.html> [accessed 25 September 2008]. Gateway applies to new projects undertaken by agencies subject to the *Financial Management and Accountability Act 1997*, which require Government approval and which satisfy certain financial and risk thresholds. The Gateway financial thresholds are $10 million projects for ICT and $20 million for procurement and infrastructure projects. In the terminology of Gateway, this audit has focused on Gate 0 - Business Need Review, and Gate 1 - Business Case Review.

6 Sir Peter Gershon, op. cit., p. 3.

7 Tanner, L (Minister for Finance and Deregulation) 2008, *Government to implement Gershon ICT Review recommendations in full*, media release, Parliament House, Canberra, 24 November 2008.

1.11 The audit has focused on agencies which generally undertake ICT projects valued at under $10 million, as these small and medium value projects are generally not the subject of other reviews - such as the Gateway process and other audits by ANAO of large individual ICT projects.[8]

1.12 In examining the governance arrangements and approvals, the ANAO considered there are three key aspects to the effective initial planning and approval of a business system project:

- the decision maker being provided with appropriate information on which to make the decision - typically in a project business case, or investment proposal;
- the project being defined with a focus on business results, rather than on ICT systems; and
- decisions being clear, and documented.

Audit scope

1.13 The audit focused on work prior to, and including, project approval, as this is a significant contributor to project success.

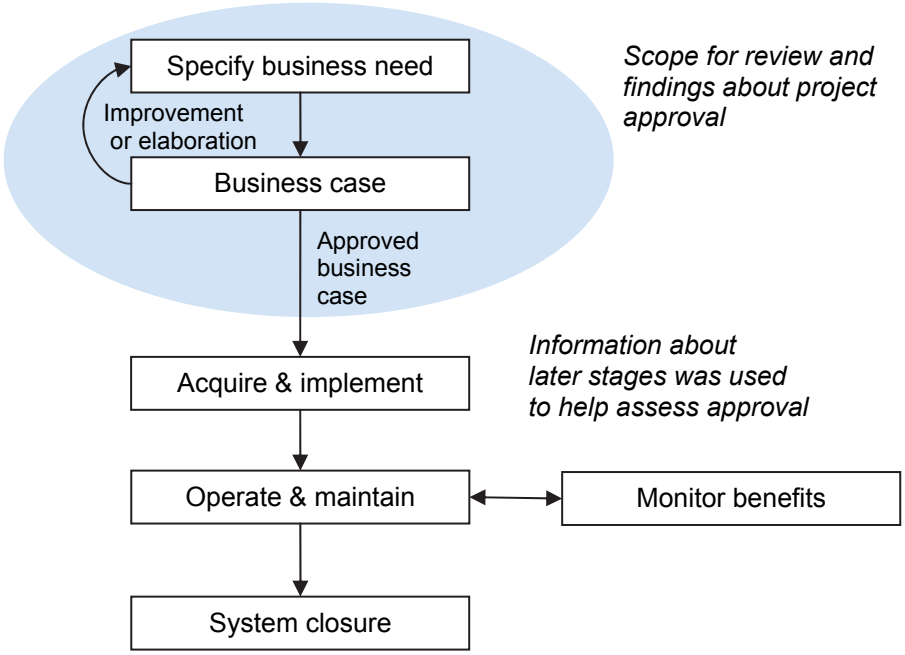
1.14 The ANAO also reviewed information about the subsequent stages of some projects, to better assess the adequacy of the approval processes and associated preparation of business cases in terms of the final result. The audit has not reviewed other important contributors to project success, such as project management and system development methodologies.

1.15 The audit scope is illustrated in Figure 1.1.

[8] For example, the ANAO audit reports *Management of the IT Refresh Program - Centrelink* (Audit Report No.17 2007-08), *Customs Cargo Management Reengineering Project* (Audit Report No.24 2006–07), and *Management of the Personnel Management Key Solution (PMKeyS) Implementation Project* (Audit Report No.8 2005–06). All ANAO audit reports are available at the ANAO website <http://www.anao.gov.au/>.

Figure 1.1

Scope of audit in relation to the full life of a system



Source: ANAO.

Audit methodology

1.16 The three agencies involved in this audit were the former Department of Education, Science and Training (DEST) (now largely incorporated into the Department of Education, Employment and Workplace Relations (DEEWR))[9], the Department of Health and Ageing (DoHA), and the Department of Veterans' Affairs (DVA).

1.17 As at 30 June 2007, when many of the audited projects were considered by the agencies, the three agencies collectively had some 9 700 staff, and had software assets with a depreciated value of some $110 million.[10] As at 30 June

[9] This audit commenced at the former DEST, and fieldwork was underway when the Government formed DEEWR in December 2007. DEEWR brought together the education and training functions from the former DEST, the functions of the former Department of Employment and Workplace Relations and the child care functions from the Department of Families, Community Services and Indigenous Affairs. This audit only examined elements of the former DEST. The agency response has been provided by DEEWR in relation to findings about DEST in 2007, and its response to the recommendations takes account of the current ICT governance arrangements of DEEWR.

[10] These figures are from annual reports for 2006–07 for DoHA and the former DEST. DVA undertook a review of its balance sheet in 2007–08, which resulted in adjustments to the value of its software assets. The adjusted value for 30 June 2007 which was reported in the DVA 2007–08 report has been used.

2008, DEEWR, DoHA and DVA agencies collectively had some 14 000 staff, and had software assets with a depreciated value of some $185 million.[11]

1.18 To address the audit objective, in each of the audited agencies the ANAO:

- reviewed the arrangements for business system approval (such as policies and governance structures) in comparison with good practice;[12]
- reviewed the operation of the arrangements for business system approval in practice (by examining a selection of business cases, and governing committee minutes); and
- identified the results for some projects in comparison to the approval.

1.19 The audit did not review agencies' aggregate estimated and actual ICT expenditure.

Selection of business system projects for review

1.20 The ANAO prepared a list of business system projects initiated by the three agencies in the period 2005–2007. This was based on announcements in the Australian Government Budget and details in agency records, such as projects considered by the relevant committees and lists of operational business systems.

1.21 During 2004–05 to 2007–08 several hundred proposals were considered by the three agencies' ICT and investment committees. As the focus of the audit was business system projects, ICT infrastructure projects were excluded from the sample. 62 projects were selected for review in this audit. The projects were selected to be broadly representative of the full population of projects in terms of size, funding source, date of consideration and the type of project (such as corporate functions or program delivery). In total, the 62 selected projects were estimated by the agencies to cost some $150 million. About one third of the projects were expected to cost less than $0.4 million, one third between $0.4 million and $1 million, and the remaining third were between $1 million and $30 million. Of these 62 projects, 26 were from the former Department of Education, Science and Training, 19 from the Department of Health and Ageing and 17 from the Department of Veterans' Affairs.

[11] These figures are from the agencies' annual reports for 2007–08.

[12] The good practice arrangements for business system approval has been derived from relevant public sources, including COBIT 4.0, Australian Standard 8015-2005 *Corporate Governance of Information and Communication Technology* and the Gateway *Assessment Tool*.

Audit reporting and structure

1.22 This audit is part of a program of cross-agency performance audits that examine business processes which support the delivery of services provided by Australian Government organisations. These audits are undertaken under the provisions of section 18 of the *Auditor-General Act 1997,* which provides for the examination of a particular aspect of the operations of the whole or part of the Australian Government sector.

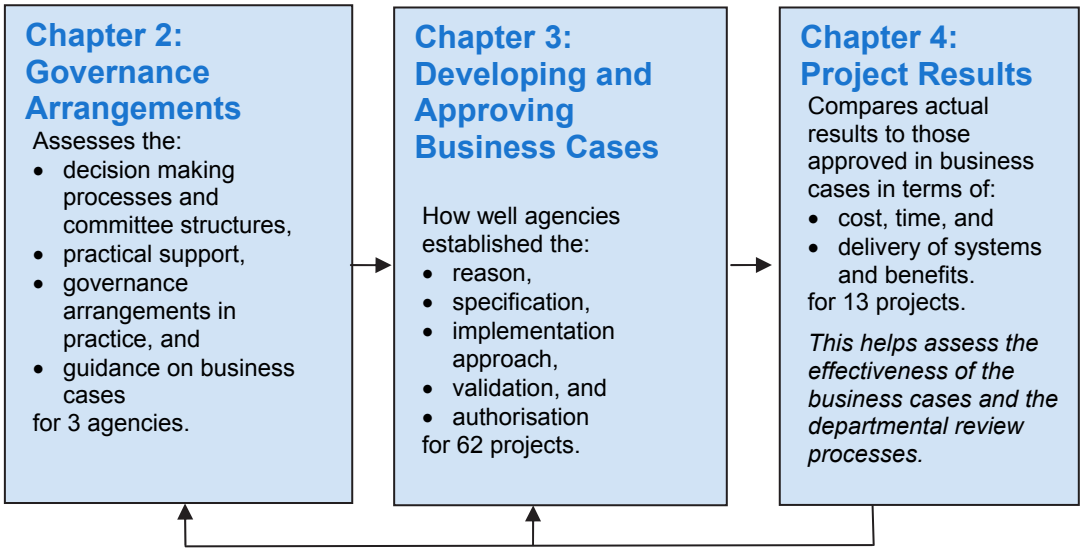
1.23 There are three other chapters in this report, which examine:

- whether the audited agencies had appropriate governance arrangements for the approval of business system projects (Chapter 2);
- how effectively those arrangements operated in practice in the approval of individual projects (Chapter 3); and
- the results for a sample of projects in comparison to the approval (Chapter 4.)

1.24 The report structure is illustrated in Figure 1.2.

Figure 1.2

Structure of the audit report



Source: ANAO.

1.25 Appendix 1 provides comments from each of the audited agencies on the draft audit report. Appendix 2 shows the typical roles and responsibilities

for approving business system projects of the audited agencies. Appendix 3 provides an example of a Project Approval Statement, as mentioned in Recommendation 3.

1.26 The ANAO conducted the audit in accordance with ANAO auditing standards, which incorporate the Australian Auditing Standards. The cost of the audit was approximately $640 000.

2. Governance Arrangements

This chapter examines the design and operation of governance arrangements of the three agencies for the approval of business system projects.

Introduction

2.1 The management policies and control arrangements which apply in agencies contribute to the quality of decisions on proposed business system projects.[13] These arrangements provide guidance to staff preparing business cases on the required format, and on the approval processes to be followed.

2.2 Ideally these governance arrangements will:

- allocate roles and responsibilities to provide reasonable checks and balances in the preparation and review of business cases;
- provide practical support to both governing committees and those preparing business case for business systems projects; and
- identify the information to be provided in business system business cases to allow them to be assessed, and to provide confidence they are soundly based.

2.3 At each of the audited agencies the ANAO assessed the policies and procedures associated with ICT and business projects, the minutes of relevant steering committees covering several years, and reviewed the guidance material provided to agency staff on preparing business cases, and on preparing new policy proposals with ICT components. The ANAO interviewed a selection of committee members, committee secretariats, and authors and sponsors of business cases.

[13] For convenience, in this report the sub-set of departmental governance arrangements relevant to the audit is referred to as the 'arrangements for business system approval' or, where the specific meaning is clear, 'approval arrangements'. As described in the audit scope at paragraph 1.13, the audit included activities preceding the approval, such as the setting of guidance and preparation of proposals.

Overall assessment of governance arrangements

2.4 Overall the three agencies had arrangements for business system approval that were designed appropriately, although there was generally scope to improve the focus on achieving business benefits. The ANAO observed that:

- The agencies had designed the processes and committee structures of the approval arrangements reasonably, with some examples of better practice. However, in two agencies there was insufficient coordination with their annual business planning. (refer paragraphs 2.5 - 2.23)
- The agencies provided satisfactory practical support for the approval arrangements. (refer paragraphs 2.24 - 2.27)
- The governance arrangements generally operated as designed,[14] although in several cases, projects bypassed the expected approval processes. (refer paragraphs 2.28 - 2.34)
- The guidance material for preparing business cases identified most of the key issues. However, there was scope to provide additional support on defining business benefits. (refer paragraphs 2.35 - 2.44)

Decision making processes and committee structures

2.5 The effectiveness of the arrangements for business system approval is strongly influenced by the design of the relevant processes and structures.

2.6 Overall, the arrangements for business system approval were reasonably designed. At two agencies the ANAO found scope to improve linkages with annual planning.

2.7 The criteria used to form this assessment, together with summary findings are shown in Table 2.1.

[14] The completeness and quality of the business cases considered by these processes are assessed in Chapter 3.

Table 2.1

Assessment of the design of arrangements for business system approval

Criteria	Summary finding
Do the arrangements for business system approval allocate roles and responsibilities to provide appropriate checks and balances?	Generally yes, with scope to clarify responsibility for some roles
Are the charters of committees complete and appropriate?	Yes, with scope for some administrative improvements
Are there mechanisms to ensure relevant proposals are reviewed?	Yes
Are the arrangements for business system approval properly linked to other governance arrangements?	Generally yes, with scope to improve links with annual planning
Were the arrangements authorised?	Yes

Source: ANAO analysis.

Allocation of roles and responsibilities

2.8 IT governance is 'specifying the decision rights and accountability framework to encourage desirable behaviour in the use of IT'.[15] Ideally the governance arrangements will clearly identify and allocate roles and responsibilities, with appropriate checks and balances. The typical allocation of roles and responsibilities at the audited agencies is summarised in Appendix 2.

2.9 The ANAO considered the allocation of roles and responsibilities for approving business system projects at the audited agencies to be reasonable, with scope for better clarifying some responsibilities in practice.

2.10 The audited agencies each had high level committees for overall management of the agency, together with committees with specific roles for assessing and approving business system projects. The usual arrangements included:

- A high-level business/ICT committee with responsibility to advise the agency head on strategic information and communication technology management. This committee would meet 4-6 times per year, approve the ICT strategic plan and review and recommend annual spending on ICT related matters, including new project proposals.

[15] Peter Weill and Jeanne W. Ross, *IT Governance*, Harvard Business School Press, 2004, p. 8.

- An operational business/ICT committee with responsibility to coordinate the preparation of ICT strategies, assess project proposals on their technical and business merits, and provide advice to the strategic committee. The operational committee usually meets 6-10 times a year and has members representing business, ICT, and corporate areas.
- Technology and systems focused committees to provide advice on technological directions for the agency, assist project sponsors, and assess proposals for technical feasibility and compliance with agency standards.

2.11 In addition, each of the agencies had specific committees to oversight major projects, or to oversight functional areas with significant ICT systems. Depending on the size of the project, these specific committees may report to one of the ICT related committees, or to another high level management committee or the executive.

2.12 The agencies' arrangements for business system approval in most cases drew an appropriate distinction between advisory bodies and decision making bodies, and described the scope of any advice expected. Notwithstanding these documented distinctions, in practice the nature of the endorsement by a committee was often not clear. For example, a proposal would be considered by several committees with different roles, and each committee would record that the proposal was 'approved'. This is potentially misleading. A decision maker may incorrectly interpret an unqualified approval by a committee as endorsing the entire proposal, when that was not intended.

2.13 A lack of clarity as to the nature of endorsements can also weaken accountability, with different groups incorrectly assuming that another group has endorsed some aspects of the plan, such as the feasibility of planned benefits.

2.14 Finally, sound consideration of business system proposals relies on other organisational governance documents, such as corporate goals, an ICT strategy, and policies on the responsibilities of system owners. The audited agencies had allocated responsibility for preparing and keeping these documents current. The ANAO confirmed the existence of the relevant documents and their use during project approval, but did not assess them.

Committee charters

2.15 The charters of the relevant ICT governance committees included most of the expected administrative arrangements - such as descriptions of objectives, membership, and meeting protocols. Their roles and responsibilities were usually well considered, and the memberships of the committees included an appropriate mix of business, ICT, and corporate members. The ANAO suggested some improvements to committee charters at the audited agencies, such as:

- where committee charters included a mixture of strategic roles (such as annual priority setting) and operational roles (such as monitoring ICT performance), clearly separating strategic and operational roles and arranging an appropriate focus on each role;
- including independent members with ICT expertise;
- documenting some administrative matters, such as arrangements for quorums, conflict of interest arrangements, and the formal authority of committees; and
- clarifying and documenting any performance objectives of the committees.

Mechanisms to ensure that proposals will be reviewed

2.16 The design of the approval arrangements for the three audited agencies provided reasonable confidence that new proposals for business systems would be reviewed as intended.

2.17 For example, processes for submitting new policy proposals or internal budget bids included prompts to identify ICT components, which were then collated and passed to a specific process for assessing ICT projects. In addition there was usually sufficient cross membership of corporate committees that proposals raised in one forum were known to the ICT committees. However, as discussed in paragraph 2.31 there were examples of projects that bypassed the documented governance arrangements.

2.18 An additional issue is the proportion of ICT systems expenditure considered for new project funding, in contrast to 'business as usual' funding. This proportion varied noticeably between the audited agencies. The level of 'business as usual' expenditure needed will vary among agencies depending on the number of older systems and the agencies' ICT strategies. However, periodically reviewing the proportion of ICT expenditure treated as 'business

as usual' will increase assurance that agencies are gaining the best value-for-money from their total ICT expenditure. On a related issue, one of the audited agencies increased its assurance of value for money by having already approved projects submit funding proposals for each project phase. These funding proposals were then considered in comparison with newly emerging priorities and with the benefit of interim progress reports.

Links to other governance arrangements

2.19 One agency had closely linked business system approvals with other agency business planning and management processes. This helps increase the reliability with which proposals followed the approval process, and helps avoid any duplication of planning effort. Strongly linking the ICT planning process to the annual planning cycle means most ICT proposals are considered jointly, which in turn allows more effective priority setting. It also allows the agencies' overall planning and budgeting process to be informed by, and inform, the investment program for new business systems.

2.20 The other two agencies, to differing degrees, had less well developed coordination of annual business planning and consideration of business system proposals. This meant that many proposals were considered individually, rather than in comparison with other proposals. This less well developed coordination also left a risk that proposals may be endorsed for inclusion in business plans without proper assessment, or that proposals may be endorsed outside the planning cycle and not be included in business plans.

Authorisation of arrangements

2.21 The audited agencies adequately documented the authorisation of the relevant committees and procedural requirements. However, in several cases the only authorisations were in the minutes of committee meetings, and it was not always clear which version of the committee charter or policy document was approved. Recording approval of key governance documents by (manual or electronic) signature of an appropriate officer would provide better authority and certainty to the approval arrangements.

2.22 The audited agencies undertook reasonable inquiry and research before authorising their approval arrangements. In most cases the approval arrangements had been designed as part of a broader review of agency governance. Accordingly, the approval arrangements took into account related

matters such as organisational priority setting, financial management and resource planning.

2.23 The arrangements for business system approval had been kept current by appropriate reviews. In some cases these were part of regular review activities such as internal audits of ICT processes or particular projects; in other cases management had identified a need to improve governance processes and the operation of committees, and had commissioned a special review.

Practical support

2.24 For the arrangements for business system approval to be effective there needs to be practical support for their operation. There was a satisfactory level of support provided by the audited agencies.

2.25 The approval arrangements were well publicised, provided comprehensive guidance for developing proposals and gaining approval, and were clearly presented for non-technical staff. There were usually several business case templates, for example, for new policy proposals, for initial project concepts, and for small and large projects.

2.26 All the audited agencies provided support staff who could give specialist advice to project proponents on technical and costing issues. There was also adequate secretariat support for the effective operation of the ICT committees.

2.27 Two agencies had also implemented a general project management framework, which was relevant and useful to initiating business system projects.

The governance arrangements in practice

2.28 Having designed and approved arrangements for business system approval, the intended assurance will only be achieved if the approval arrangements operate as intended. At each audited agency the arrangements for business system approval generally operated as designed, with several exceptions.

2.29 The ANAO reviewed a sample of papers and minutes of committee meetings at the three agencies. The frequency of meetings, the issues considered and decisions made were generally consistent with the committee charters.

2.30 There were some variations from the intended operation, such as:

- In one agency, attendance at committee meetings by business area representatives was intermittent, with a risk that a business viewpoint was not properly represented.
- In two agencies there were periods of six months where relevant committees did not meet as intended.
- In one agency, the sequence of approvals in one year varied from the designated process, with projects receiving financial approval before being assessed by the ICT committee rather than the converse.

2.31 The ANAO identified a sample of ICT projects from separate sources, such as Budget announcements and changes to lists of operational systems, and tested whether these had been considered through the approval arrangements. Several exceptions were identified - generally business system projects in support of new policy implementation, or associated with some prominent project within an agency. Although these projects were visible to agency management, there is a risk that the sound planning mechanisms in the agency's ICT project approval process may have been bypassed. For example, even if funds are available, risks to project implementation will be reduced by assessing the proposed technical design for its compatibility with the agency's ICT architecture, and assessing and planning access to scarce resources - typically skilled ICT staff.

2.32 In cases of urgency, rather than bypass normal controls it would be prudent to consider and document, on a case-by-case basis, which control processes should still apply, and which are not be relevant.

2.33 Finally, a number of projects considered by the committees were significant multi-year, modular projects. This type of project generally did not fit comfortably with the standard business case templates. In contrast to consideration of relatively simpler projects, decisions on such projects often involve:

- greater consideration of ICT architecture;
- additional options on the nature and sequence of different modules;
- assessing both the overall business benefits, and the benefit contribution and interdependencies of individual modules; and
- greater uncertainty, with funding in future years reserved, but its allocation contingent on progress of individual modules.

2.34 Given these differences, there is likely to be benefit in a specific variation of the business case template for multi-year modular projects, to request appropriate information and provide a suitable format for the decision.[16] Once the overall project is approved, with overall funding reserved, the individual modules of such a project can then be considered using the normal business case template. A modular approach can help reduce overall project risks and achieve benefits earlier. Supporting modular approaches with a tailored business case template is likely to increase the use of this approach, and improve the results of ICT projects.

Guidance on business cases

2.35 The quality of decisions depends in part on the completeness of the information provided to the decision-maker. Accordingly, it is important that the approval arrangements identify the necessary contents of a business case. Ideally, the decision-maker will be provided with appropriate information on which to make the decision, including the underlying business objectives, options for achieving these objectives, and a sound understanding of the related assumptions, risks, costs and stakeholder issues. It is important to clearly establish which parts of this supporting information are vouched for, and by whom, and which parts are intended for review by the decision-maker. This body of supporting information is likely to also be relevant to the people carrying out the project, so they properly understand its context and to help ensure they manage delivery of the system to achieve the objectives.

2.36 Each of the audited agencies had a business case template to be used as the basis of preparing a proposal for a business system. The ANAO compared the information requested in these templates with good practice.[17]

2.37 Overall, the important issues for consideration and assessment were reasonably identified by the audited agencies for review. However, there was also scope for some improvements, as described in the following paragraphs.

2.38 Several elements of information that are important to project success, and thus to assessing the degree of risk, were generally not explicitly included

[16] This suggestion should be interpreted in the context of individual agencies' needs. Some agencies may already have an appropriate business case template for modular projects. Other agencies may not undertake large modular projects.

[17] The ANAO specifically looked for 29 elements of information, drawn from public sources, including COBIT 4.0, Australian Standard 8015-2005 *Corporate Governance of Information and Communication Technology* and the Gateway *Assessment Tool*. The elements are individually listed at paragraphs 3.10, 3.14, 3.35, 3.40, and 3.54.

in the templates. Common omissions were requests for information on the assessment of planned benefits[18], any privacy and security issues, and the proposed development or procurement approach.

2.39 Some business case templates were for investment proposals in general, and did not provide ICT specific guidance. Providing guidance on ICT issues will increase assurance that ICT related matters of significance are covered.[19] There are some specific attributes of business ICT systems (such as data volumes, user numbers, ease of use and security requirements) which can significantly affect costs and accordingly warrant visibility in proposals.[20]

2.40 The costing tables in business case templates in each of the audited agencies were comprehensive and appropriate, but presented from an accounting perspective such as capital costs, and lease costs. Presenting a costing summary by activity and product, to supplement the current accounting based information, is likely to improve the testing of the completeness of cost estimates. Providing costing by major activities and products would assist informed review of the completeness and reliability of the total costs. It is also likely to promote discussion of the relative cost benefit of components of a project, and suggest a preferred phasing of the project to gain greatest benefits first.

2.41 A complete business case, with a relevant body of information to substantiate the claimed benefits and costs and justify the proposed preferred option, can be a large document. This can make it difficult for decision-makers to focus on the key elements of the proposal, and make it difficult to compare and rank competing proposals. In addition, if the decision is recorded as 'the committee approved the business case' there is likely to be ambiguity as to which aspects of detailed implementation - such as the sequence of activities, or the cost of individual components - are within the authority of the project manager, and which require the involvement of the approving delegate or committee.

2.42 A summary showing the most important elements of the proposal will help address these risks. This is likely to focus attention on the key business

---

[18] The issue of setting and measuring of benefits targets is further discussed at paragraphs 3.22 and 4.10.

[19] The *ICT Investment Framework*, Department of Finance and Deregulation, provides comprehensive advice.

[20] In many cases, these requirements were documented, but in subsidiary planning documents which were not routinely provided to decision-makers.

objectives and high level parameters for decision-makers, facilitate comparison of projects, and provide clarity to the decision. An extract of key information could usefully be a cover sheet to the business case, and form the basis of a project approval statement as recommended at paragraph 4.16.

2.43 The business case templates generally provided examples of possible business benefits, such as cost reduction, improved productivity, faster service or reduced fraud. However, as discussed later in paragraph 3.22, many actual business cases described their benefits in only general terms, and did not set targets or use indicators that could be conveniently measured. This suggests that additional support, either in the business case template or by expert advice during preparation of business cases, would improve the quality of the description of planned benefits in business cases.

2.44 An example of good practice was that one agency specifically identified different ways of assessing the value of different types of projects, such as ICT infrastructure, shared services and direct service delivery. Identifying, collecting and presenting these different ways of assessing value in a consistent way for each type of project then helps decision-makers to compare different types of proposals.

3. Developing and Approving Business Cases

This chapter assesses the incidence of good practice in the business cases for a sample of 62 business system projects.

Introduction

3.1 Chapter 2 assessed the arrangements in the audited agencies for generating, selecting and approving business cases for business system projects. This chapter assesses the quality and completeness of a sample of individual business cases, and related information, considered by decision-makers.

3.2 Ideally, a business case presents clear, concise and compelling reasons for the decision-making authority to approve the project. The information should be sufficient for the decision-makers to make an informed decision taking into account the strategic and operational imperatives of the agency and government. The structure and volume of information to meet this purpose will vary with the size and complexity of the project.

3.3 The ANAO assessed the type, extent and quality of information that decision-makers were being presented with when asked to approve business system projects. We assessed the presence of 29 elements of information.[21] These 29 elements were grouped into five broad areas, namely information about the reason, specification, implementation planning, validation, and authorisation of the business system projects.[22] The groupings are explained in Table 3.1.

[21] These elements were drawn from public sources of good practice for project initiation, such as Control Objectives for Information and Related Technology (COBIT) 4.0.

[22] Some elements contribute to more than one area.

Overall assessment of business cases in practice

3.4 Overall, the ANAO found satisfactory levels of information that addressed the reason, implementation planning and authorisation of the examined business system projects. However, there was scope to improve the validation of proposals, so as to provide greater assurance that the planned outcomes were reasonably achievable. There was also scope to improve the specification of the intended business benefits and to better align the projects' scopes with the intended benefits. A summary of the assessment for the 62 examined business projects is shown in Table 3.1.

Table 3.1

Summary assessment of information provided for 62 projects

Area of information	Summary assessment
The **reason** for the project is provided, to assist in judging the relative priority of the project against other organisational objectives, and to help guide the project team during implementation to make any changes in the context of that reason.	Satisfactory
There is a **specification** of the project which concisely, clearly and completely describes what is to be delivered, the overall time and cost limits, and what benefits those deliverables will support.	Scope to improve
The **implementation** approach is described in sufficient detail to provide confidence that the project is in fact achievable, and to set a means for assessing and monitoring implementation progress.	Mostly satisfactory
There is **validation** of the project specification and implementation plan: that is, checking that the specific plan put forward is an appropriate way to fulfil the need. This will include consideration of options and their relative merits, and also additional detail and justification of the proposed cost and timetable.	Important area for improvement
Authorisation: decisions on the project are clearly stated, properly documented and taken by the appropriate person.	Mostly satisfactory

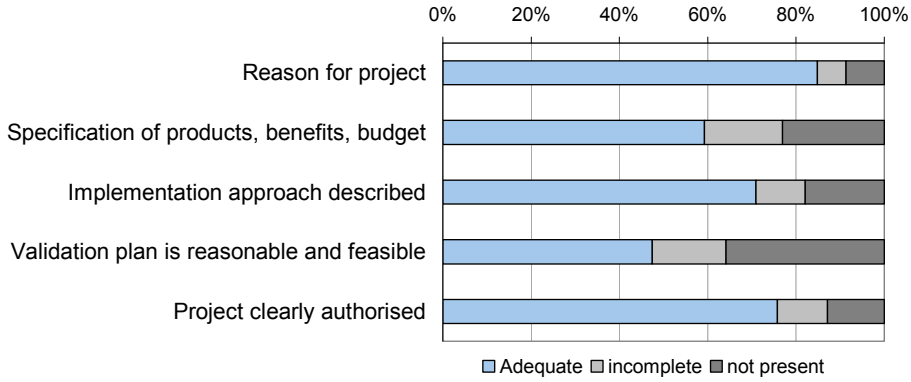
Source: ANAO analysis.

3.5 Figure 3.1 provides a quantitative view of the frequency with which information in each area was contained in the examined business cases and associated documentation.[23] Subsequent sections of this chapter provide detailed findings for each area.

[23] This quantitative view is provided to indicate the relative frequency of different elements of information. The elements of information are generally important for decision-makers to consider, but are not the only factors.

Figure 3.1

Presence of information in 62 project business cases



Source: ANAO analysis. Note: the five areas of information shown are explained in Table 3.1.

Variability of findings

3.6 There was little variation in the results over time, or by the cost of the project.[24]

3.7 There was a moderate degree of variation in the overall assessment of the three agencies: two agencies had 60 to 65 per cent of expected information to an adequate standard, and the third agency had 50 per cent. However, each of the agencies had one or more elements of information they provided noticeably more often than the others, and some they provided noticeably less often.

3.8 Some elements of information had a wide variation between agencies. For example, in aggregate about 70 per cent of the business cases identified risks adequately; however, in one agency the result was 50 per cent, and in another it was 90 per cent. Each of the audited agencies was advised of their specific findings.

The reason for projects was well established

3.9 Providing clear information about the reason for the project assists decision-makers in judging its relative priority against other organisational

[24] For proposals considered by the agencies in the calendar years 2005, 2006 and 2007 the frequencies of adequate information for the five areas of information in aggregate were 62, 56 and 57 per cent respectively. For proposals valued at less than $0.4 million, between $0.4 million and $1.0 million, and over $1.0 million the frequencies of adequate information were 59, 55 and 62 per cent respectively. The time periods and value ranges had similar numbers of proposals in each category.

objectives, and helps guide the project team during implementation. Overall, the reason for the 62 projects was clearly established in nearly all cases.

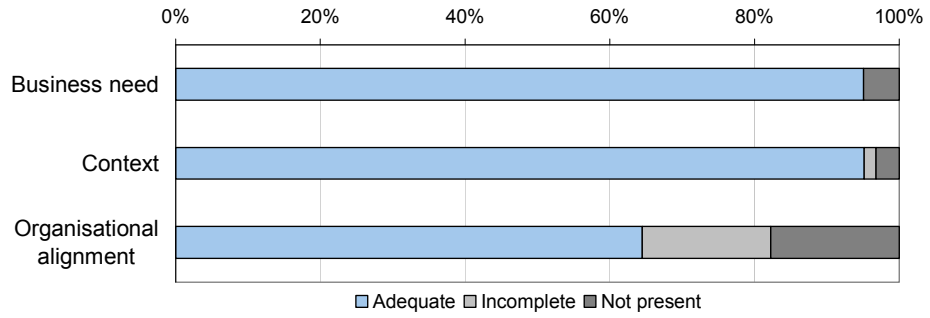
3.10 The ANAO assessed the presence of the following elements of information which are relevant to helping the decision-maker understand the reason for the project:

- Business need - a succinct statement in business terms on why the organisation should do the project. For example: 'the new payments system is needed to implement the recent government announcement to restructure payment eligibility criteria and associated entitlements'.
- Context - the background to the project, such as community trends, whole-of-government initiatives, agency priorities, and current capabilities or limitations.
- Organisational alignment - linking the project to the achievement of the organisation's corporate and ICT goals. For example: 'the project will support *Departmental Goal 3: Improve service delivery to clients and stakeholders* by reducing the duplication of data collected from clients'.

3.11 The findings for the 62 examined projects are summarised in Figure 3.2.

Figure 3.2

Presence in business cases of information on the reason for the project



Source: ANAO analysis.

3.12 Overall, most of the examined business cases clearly established the reason for the proposed projects. However, more than a third of the proposals did not adequately explain how the proposal was aligned with or contributed to organisational goals.

Specification of business benefits needs improvement

3.13 To help decision-makers to assess a proposal, the business case will specify what the project promises to deliver. If the proposal is approved, this specification[25] will be the primary description to the implementation team of the decision-makers' expectations. There was scope in the examined business cases to improve the information in the project specification, in particular to clarify targets and measurement arrangements for business benefits. In addition, there were opportunities to better align the scopes of the projects with the intended benefits.

3.14 The ANAO assessed the presence of the following elements of information which are relevant to specifying the requirements for the project:

- Project objective - a succinct statement of what the project will achieve. For example - 'This project will provide an electronic records system, associated policies, procedures and initial staff training to ensure emails are managed in accordance with legal requirements'.
- Scope of project - statements that define what the project will include (in scope) and will not include (out of scope). The scope statement should cover relevant activities, deliverables and benefits to provide a shared understanding of what will and will not be done.
- Business requirements, covering both functional requirements - for example, the 'grants management system will support application receipt, assessment, and approval, and subsequent grant payment and acquittal'; and other requirements - such as data volumes, response time and system availability requirements.
- Privacy and security requirements.[26]
- Business benefits - described in business rather than ICT terms. For example, 'the project will reduce the elapsed time and cost of answering correspondence'.
- Benefits measurement and monitoring - setting measurable targets, and giving confidence that the benefits would be assessed (for example, by including baseline measurements and ongoing measurement tools as

[25] The word 'specification' is used in some ICT contexts with a restricted meaning, such as the detailed requirements of a computer system. For this report it covers the broader requirements of the project.

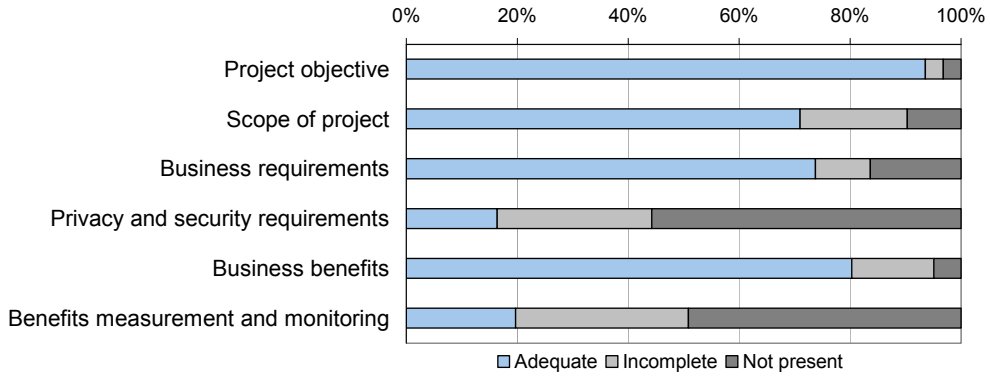
[26] The ANAO specifically assessed whether privacy and security requirements were described because misunderstandings on these are a common cause of ICT project delays.

project requirements). For example, 'reduce the average time taken to answer correspondence from 60 days to 25 days'.

3.15 The findings for the 62 examined projects are summarised in Figure 3.3.

Figure 3.3

Presence in business cases of information specifying what the project will achieve



Source: ANAO analysis.

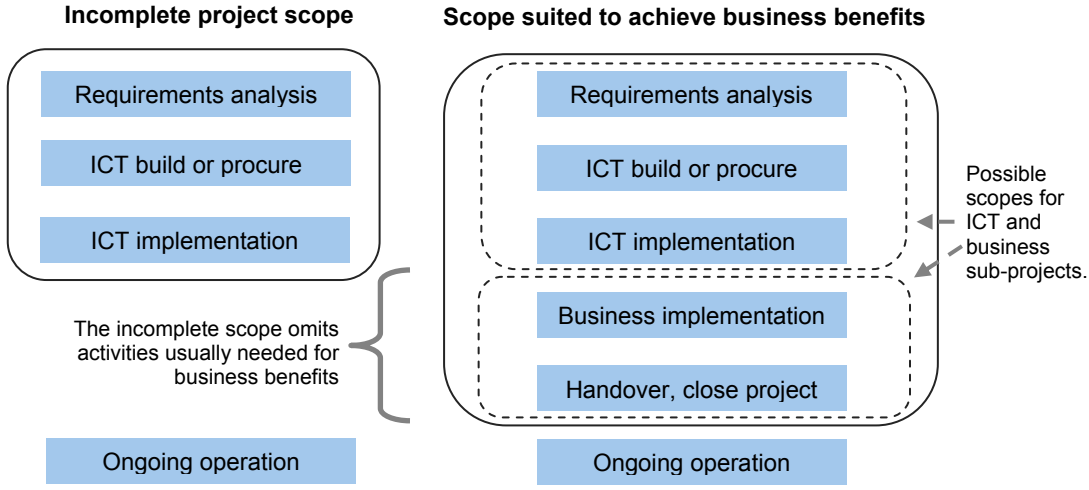
Objectives and scope

3.16 All the business cases examined had clear project objectives. Two thirds of the business cases contained an adequate description of the project's scope. Those projects rated as having an incomplete scope usually included lists of end products - such as 'a grants processing module'; but did not include other activities - such as user training, consultation, ICT and business implementation activities, data migration, and decommissioning of replaced systems - needed to achieve the project objectives. These omissions could be addressed by expanding the scope to include all the required activities.[27] A common arrangement is to have an overall project with distinct ICT and business sub-projects, as shown in Figure 3.4.

[27] Alternatively, instead of expanding the scope to support the listed objective, the objective could be reduced to match the scope. The key issue is not misleading the decision-maker.

Figure 3.4

The scope of activities needed to achieve business benefits



Source: ANAO.

Note: The solid black lines indicate scope boundaries. The shaded boxes represent typical business system project activities.

3.17 In addition, in many cases there was a possibility of confusion over the planned outcomes in the business case for which the project sponsor accepted responsibility. For example, one project included costs of some $5 million and savings of more than $20 million over five years from increased staff productivity. However, the project scope, for which the sponsor accepted responsibility, focused on system development activities and did not include delivering any savings. Decision-makers would have had greater assurance on planned benefits if the project scope included activities to measure productivity changes during implementation, as well as specific targets to be achieved prior to project closure. This would provide a sound basis for transferring responsibility for future savings to the area responsible for ongoing operations.

Requirements

3.18 One quarter of the business cases examined did not provide adequate business functional requirements. For example, simply specifying the function as 'correspondence management' does not facilitate cross checking of the project scope and cost estimates. In contrast, a more specific description of functions, such as 'receipt and registration of incoming correspondence,

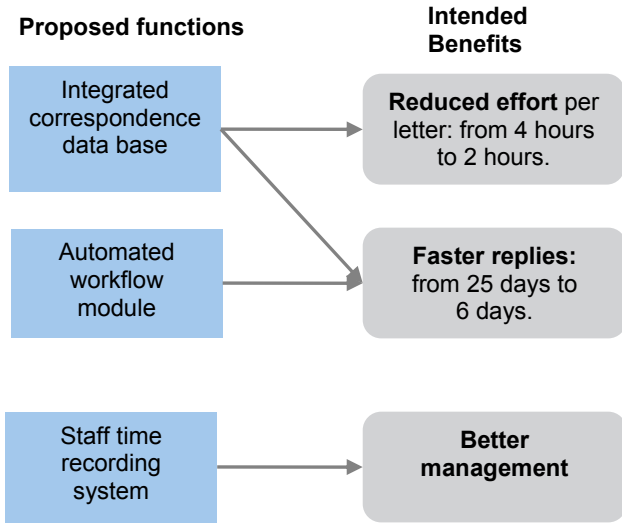
electronic scanning and storage, and electronic workflow for preparation and clearance of responses' aids understanding by decision-makers. It also permits some cross checking which helps reduce risks to the final cost and delivery date.

3.19 In addition, many business cases did not provide any information on other important requirements, such as numbers of users, transaction and data volumes, projected growth and availability requirements.[28] This information is important to decision-makers, particularly when comparing proposals and assessing the reasonableness of costings.

3.20 The examined business cases generally listed functions and benefits separately. In many cases the lists were detailed, without relative importance indicated. This complicated checking that the functions listed were necessary and sufficient for the promised benefits. Identifying which key functions and capabilities contribute to key benefits, as shown in Figure 3.5, will help decision-makers understand proposals; will help provide assurance on the scope of the project; and will help identify options for phased or partial implementation.

Figure 3.5

Matching functions and benefits



This simplified example shows the primary functions and benefits for a hypothetical Work Management System. The arrows indicate that a function is required to achieve the benefit. Explaining the linkage between proposed functions and benefits - either by diagram, table or prose - helps decision-makers understand the underlying reasons for, and consider the relative priority of, different features.

Source: ANAO.

[28] These types of requirements in ICT projects are called 'non-functional requirements'.

3.21 The business cases examined did not adequately cover the issues of information privacy, security, audit and other legal requirements.[29] While not all projects dealt with client information, the *Privacy Act 1988* sets requirements for the handling of personal information and it is useful for proposals to explicitly address the issue.

Benefits

3.22 In almost all examined projects the business case stated the expected benefits. However, in many cases these were limited to qualitative statements and did not include specific indicators and targets - leaving no way to assess at project completion whether actual benefits were as planned, and potentially giving the misleading impression there would be noticeable improvements for all identified benefits.

3.23 For example, one business case identified 16 benefits, without indicating the quantum of improvement of any. While at the planning stage it may not be possible to be firm on the size of benefits, some indication is usually possible. The ANAO reviewed the 16 benefits with the agency, and found that in most cases the likely improvement was negligible, but that for a few benefits, improvements in the range of 20 to 50 per cent were likely. Recasting the business case to focus on these few benefits would provide a more accurate view to decision-makers. This example also shows that even the simplest level of quantification - indicating the likely range of improvement - can greatly assist in identifying the more important factors in a business case.

3.24 Some business cases specifically separated primary and secondary benefits. For example, in one project the primary benefit was 'daily identification of duplicate payments', while one of the secondary benefits was 'to test the new e-business framework'. Classifying the benefits in this way makes it easier for decision-makers to understand and assess the proposal, and provides clearer guidance to the implementers, and correctly sets the benchmarks for a post-implementation review.

3.25 There were a number of projects where performance measurement was limited to the project management indicators of deliverables, timetable and cost, and did not cover the project's contribution to its stated business benefits.

[29] For example, there are specific certification requirements for financial systems under the FMA Act.

Issue: Vague benefits, such as 'improved flexibility and scalability'

Many of the examined business cases promised business benefits that were expressed vaguely, such as promises of improved accessibility, accountability, adaptability, agility, availability, capability, compatibility, credibility, flexibility, reliability, scalability, stability, sustainability, and viability.

These are potentially important issues for agencies. However, the selection, implementation, and evaluation of projects are likely to be more effective if these vague benefits are defined more clearly.

For example, a business benefit of 'Improved flexibility' may have been better expressed in a particular case as 'Faster program implementation - new programs similar to existing ones will be able to be implemented in two months, instead of the current six months.'

3.26 In conclusion, while clear project objectives were usually set, the business benefits were often described in general terms, without targets or processes to measure the benefits included in the plan.

3.27 In addition, a number of projects did not include in the project scope the related business activities needed to achieve the promised benefits, and most did not demonstrate the contribution of different ICT components to the benefits. The project scope can be most easily debated and changed at an early stage of project development, and accordingly this is the best stage to focus attention on these issues.

Recommendation No.1

3.28 The ANAO recommends that agencies' requirements for projects to proceed past the early planning stage include:

(a) indicative targets for business benefits; and

(b) confirmation that the project scope includes both the business and ICT activities needed to achieve the intended benefits.

Agencies' responses to the recommendation

3.29 Each of the audited agencies and the Department of Finance and Deregulation agreed with the recommendation.

DEEWR

3.30 The Department is currently in the process of implementing a strengthened benefits (or value) management regime for all projects with a major IT component where the total cost exceeds $1 million. This will include setting indicative targets for business benefits. The Department will use the lessons learned from this process to strengthen the 2009–10 IT investment process.

3.31 The Department's proposed IT Investment principles for 2009–10 state that 'decisions on IT investment will be informed by the whole-of-life costs which include the business costs (Average Staffing Level (ASL), contractors, training, travel and project management) of the project; and the IT Costs (ASL, contractors, hardware and software)'.

DoHA

3.32 The Department of Health and Ageing agrees with the recommendation for the improvement in the definition and management of business benefits. Business benefits that are both tangible and measurable are critical to measuring the success of a project.

DVA

3.33 DVA notes that many of the projects examined preceded the Department's current governance arrangements for obtaining project approval. Since that time, DVA has significantly revised the business case template to require a comprehensive statement of business benefit and strategic alignment. Nothwithstanding, in light of the ANAO's findings, the Department will review this aspect of the business case template to ensure consistency with better practice.

Implementation approaches were reasonably described

3.34 Describing the proposed implementation approach helps provide the decision-maker with confidence that the project is in fact achievable. It also provides a means for assessing and monitoring implementation progress. Most of the examined business cases provided relevant information, with the exception of details of the proposed procurement or development approach.

3.35 The presence of the following elements of information relevant to the implementation of the project was assessed:

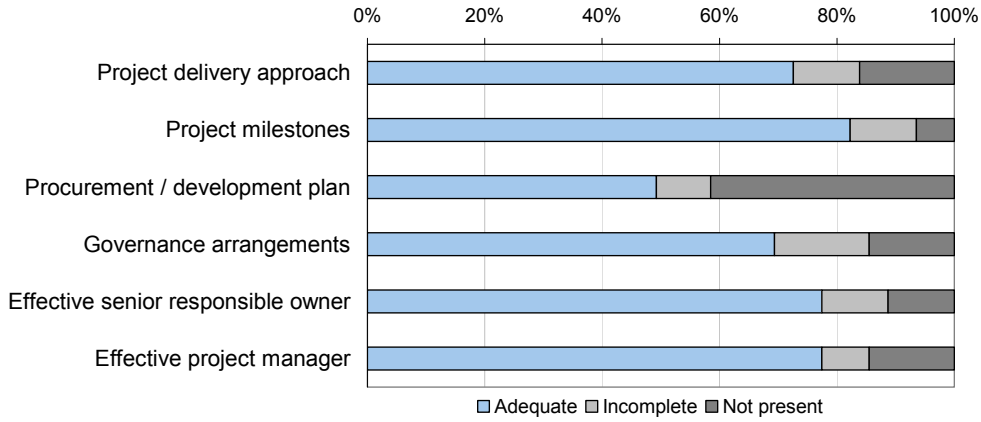
- Project delivery approach – a description and justification of the implementation approach, such as phased or single delivery.
- Project milestones - for example a list of key tasks and deliverables showing when they would be done.
- Procurement / development plan - showing any processes and timelines to gain access to the necessary internal and external resources.
- Governance arrangements - such as the composition and responsibilities of steering committees.

- Effective senior responsible owner - the person who is responsible for the delivery of business benefits and with appropriate authority.
- Effective project manager - the person responsible for implementing the project (or how the agency will identify them).

3.36 The findings for the 62 examined projects are summarised in Figure 3.6.

Figure 3.6

Presence in business cases of information on how the project will be implemented



Source: ANAO analysis.

3.37 Many of the examined proposals did not describe who would do the work - for example, staff, already engaged contractors, or contractors engaged following a tender process. Given that difficulties in development and procurement are a common cause of delay in ICT projects, improving the provision of procurement information in proposals will assist decision makers to assess the reliability of the proposed timing and cost.

Better quality assurance of proposals needed

3.38 Having clarified what the project will provide and when it will be provided, the final step in an effective business case is helping decision-makers understand the likely validity of the proposal. Typically, detailed supporting information is included in the business case by the project sponsor, and this information is reviewed by specialist committees or designated experts on behalf of the decision-maker.

3.39 Overall, the ANAO considered there was not an adequate level of information to help validate the examined business cases. Accordingly, this is an important issue for attention by agencies.

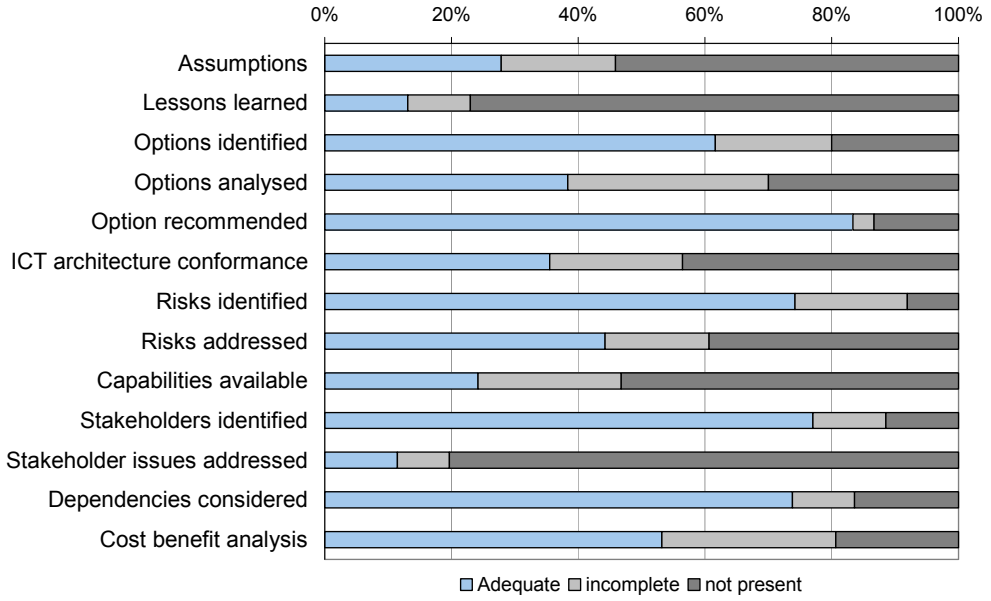
3.40 The ANAO assessed the presence of the following elements of information which are relevant to validating a project proposal:

- Assumptions - the judgments that underpin the project, including those about technological, resource, policy and stakeholder issues.
- Lessons learned – from similar projects to give a 'reality check' on risks, timetable, costs, and benefits.
- Options - including identifying a suitable range of options, analysing their relative merits, and providing a clear recommendation.
- ICT architecture conformance - such as the use of standard ICT components and contribution to strategic directions.
- Risks - need to be identified, and then addressed.
- Capabilities available – an assessment of the required capabilities (financial, human, physical and information) and details of their availability.
- Stakeholders - identifying and then addressing their needs and concerns.
- Dependencies considered – details of other projects and activities likely to impact on, or be impacted by, the project.
- Cost benefit analysis - sound costing of the proposal and, if appropriate, detailed cost benefit analysis.

3.41 The findings for the 62 examined projects are summarised in Figure 3.7.

Figure 3.7

Presence in business cases of information to validate the reasonableness of the project



Source: ANAO analysis.

3.42 A high proportion of the examined business cases did not identify or assess key assumptions[30], did not identify lessons from similar projects, and did not assess the availability of the capabilities needed to complete the project. A lack of consideration for such details left significant risks that the forecast benefits were not realistically achievable.

3.43 Further, although the identification of risks and stakeholders was adequate, for the most part the business cases did not effectively address the identified issues. For example, if the identified risk was unavailability of staff to test the system, the business case may only address this by stating that the steering committee would monitor the issue. If this was a notable risk, more appropriate actions would have been to consider alternative testing approaches or to add an allowance to the time and cost contingency allowance.

[30] For example, one business case included, without assessment, the assumption that users would readily adopt the new technology. They did not. Another business case, for a system intended to be used for a long time, did not list its assumptions for likely policy directions and their implications for the system design.

Further, it would be useful to be more specific about the risk: for example, whether the relevant manager had been approached and had indicated that releasing staff to do testing would be very difficult, or if instead this was an issue that had caused problems on other projects.

3.44 Notwithstanding the general scope for improvement, several of the examined business cases - including larger ones - were well validated, including comprehensive review of the results of other projects, and thorough identification and resolution of risks and assumptions. These projects often used independent expert advice to gain assurance.

3.45 Another example of good practice was where information about assurance work was sensibly summarised in the business case. For example, the business case would describe in a few lines the risk assessment process and overall risk rating, and then list the important few risks for senior management consideration. The detailed risk assessment might be attached to the business case, or be available for review on request. This approach facilitated management review, and encouraged the project team to correctly assess the risks.

Issue: Better focusing risk management efforts

The business cases generally included risk assessment templates completed for the projects. However, in many cases the identified risks were generic, and could have been copied from another project. Common risks included incorrect requirements, resource limits, and changes to requirements. This suggests two possibilities to reduce the effort covering common risks, and improve the focus on project specific issues.

Firstly, many common risks are already controlled by existing agency processes, such as monthly financial management processes, and system development approaches that verify user requirements. Documenting the risks already controlled by standard processes would allow project officers to concentrate on project specific risks.

Secondly, common risks are likely to have common controls. If these common controls were identified in the risk template, the focus for project officers would be to nominate and explain the project-specific adaptation of the common control. For example, a project needing staff with rare skills may allow four weeks contingency for staff absence, while a project involving readily available skills may only need a contingency of two weeks.

3.46 In conclusion, across the 62 projects examined, the ANAO considered there was not an adequate level of information to help validate the examined business cases.

Recommendation No.2

3.47 The ANAO recommends that agencies review, and as appropriate, strengthen processes and support for validating the reliability of business

system project business cases. Particular areas for attention are: options identification and analysis; addressing stakeholder needs; addressing identified risks; the appropriateness of assumptions; and learning lessons from similar projects.

Agencies' responses to the recommendation

3.48 Each of the audited agencies and the Department of Finance and Deregulation agreed with the recommendation.

DEEWR

3.49 The Department is in the process of reviewing the IT Investment framework for the 2009/10 financial year and this recommendation is to be included within the scope of this review.

DoHA

3.50 Considerable improvement has been made by the Department of Health and Ageing in project planning and approval in recent years.

DVA

3.51 DVA acknowledges there are opportunities to strengthen project governance processes consistent with the recommendation. DVA will examine the governance processes applied to business case validation to ensure project proposals are sufficiently robust for comparative priority setting.

Finance

3.52 Finance particularly endorses the need, identified in the report, to specify proposed benefits as clearly and precisely as possible, and then have arrangements in place to check whether they are delivered.

3.53 As noted in the report, Finance has prepared extensive guidance on the government's ICT investment framework. This includes a guide to developing business cases for ICT proposals. Finance is currently reviewing this guidance to improve its usefulness and its availability. The report will provide valuable input to this review.

Projects were authorised, but with details unclear

3.54 To allow the project to proceed with proper authority, and with confidence of mutual understanding, the decision needs to be clearly stated, properly documented and taken by the appropriate person. This provides the authority to proceed, and ideally describes the work to be undertaken, how it

is to be managed, and the key measures for success. In addition, business system projects often involve a staged approach. Accordingly there needs to be clarity in those situations where the initial approval is for a limited scope of work. Typically this involves a requirement to resubmit information on subsequent stages of work for approval in the light of progress with previous stages.

3.55 In most cases, agencies had documented the approval, or non-approval, of the examined projects.

3.56 Instances without documented project approval included business system projects:

- that were in support of new policy implementation; and
- where approvals were relayed informally, such as by attendees of a meeting reporting discussions via e-mails.

3.57 Where recorded, most decisions were brief phrases in committee minutes such as 'business case approved'. However, as discussed in paragraph 4.10 the complexity of the business cases often meant that such an approval did not provide a practical basis for subsequent review. In addition, details of funding were often approved separately, which meant there was no convenient single source of the approved budget, timetable and scope.

3.58 In a number of instances business cases were recorded as 'approved in principle' without explanation. More specific decisions would provide clearer authority, such as:

- 'Subject to confirming to the Committee Chair that net savings of $15 million are achievable by year 4, the project is approved', or
- 'The Committee approved expenditure of $150 000 to prepare the high level system design and plan specifically how to achieve intended benefits, with an updated business case to be resubmitted incorporating that work'.

3.59 In some cases the business case made reference to a multi-year project with an initial phase, and it was not clear whether the approval was limited to the initial phase or was for the entire project.

3.60 In one agency, several approval decisions were documented, but the decisions were taken by people or committees not identified in the approval arrangements for ICT projects as the appropriate decision-maker.

4. Project Results

This chapter examines the results for 13 business system projects, in the context of the initially approved business cases.

Introduction

4.1 For 13 of the 62 projects reviewed in Chapter 3, the ANAO also compared the actual results to the approved plan. The ANAO identified the planned time, cost, deliverables and benefits from the initial project approval, and sought information from the agencies on the actual results, and copies of project status reports.

4.2 Half of these 13 projects arose from government decisions; the others were initiated by the agencies. The largest project cost $20 million and the average cost of the projects was $3.3 million. The average planned project duration was 14 months. The actual outcomes for these projects are shown in Table 4.1.

4.3 Typical objectives of these 13 projects were to implement newly announced government programs, to improve the administration of existing programs, and to improve the internal operations of the agencies. Several of the projects included providing better public access to information, and several involved inter-agency cooperation. Some involved tendering for solutions, and others involved in-house development or tailoring of commercial 'off the shelf' systems.

Table 4.1

Outcomes of 13 selected projects

Project	Cost	Cost variance	Time variance	ICT Deliverables	Business Benefits
A	under $2m	-10%	0%	Not specified	Not specified
B	under $2m	-10%	0%	Fully	Not demonstrated
C	over $2m	0%	0%	Most	Most
D	over $2m	0%	0%	Most	Most
E	over $2m	-10%	25%	Most	Most
F	under $2m	N.A.	25%	Most	Not demonstrated
G	under $2m	50%	50%	Fully	Not specified
H	over $2m	-10%	50%	Some	Not demonstrated

Project	Cost	Cost variance	Time variance	ICT Deliverables	Business Benefits
I	under $2m	0%	50%	Fully	Not demonstrated
J	over $2m	-50%	100%	Most	Partly
K	under $2m	0%	100%	Half	Fully
L	under $2m	-75%	150%	Fully	Not demonstrated
M	under $2m	200%	300%	Most	Most

Source: ANAO analysis of agency information.

Note 1: The cost and time variance compares the variance to the planned target, as a rounded percentage. For example, if the planned cost was $1m and the actual cost was $1.45 million, the variance is shown as 50 per cent.

Note 2: The column 'ICT Deliverables' shows the extent to which the planned system functions were implemented - for example, a payments function.

Note 3: The 'Business Benefits' column shows the extent of delivery for business benefits in the approved plan - for example, a cost reduction, or a new service to the public.

Note 4: 'Not specified' indicates that the approved business case did not clearly specify an ICT deliverable or benefit. 'Not demonstrated' indicates there was no assessment made by the agency of the benefits being achieved.

Note 5: The shaded cells indicate significant deviations from plan.

Note 6: The projects are listed in order of time variance, with the most overdue last.

Projects close to cost, but often late

4.4 Most of the 13 projects were close to or less than their approved budgets. The project with the greatest cost variance[31] - costing an additional 200 per cent - was over budget partly because additional features were requested after the initial approval.

4.5 In some cases the approved budgets correctly included all relevant costs but the agency's accounting system did not report all these costs to the project manager. For example, costs of staff working on several projects were not attributed to those projects. This meant that the project manager either needed to keep additional manual records to compare to the approved budget, or that there was less attention to the approved budget.

4.6 In one project the approved scope focused narrowly on new system development. The cost to deliver this narrow scope was in accordance with the approval. However additional activities were needed to achieve the planned business benefit in the approved business case, such as user testing, data cleansing and data migration, and system integration issues. The agency advised that these costs were as much again as the approved project cost. This

[31] Project M in Table 4.1.

reinforces the importance of testing the project scope for completeness (as discussed in paragraph 3.27).

4.7 In terms of time, half the projects were completed later than planned by 50 per cent or more. Causes of delays mentioned in project status reports were typically issues that had been identified in the initial risk assessments for the projects. However, the likelihood and impact of the issues had not been realistically assessed, or were not promptly controlled when risks occurred. This reinforces the observations in Chapter 3 on the need to better address identified risks.

Systems delivered, but benefits not assessed

4.8 The examined projects generally delivered the planned ICT deliverables, such as working computer systems and web sites.[32] In particular, all of the projects associated with implementing new or changed government programs delivered the most important functions, often within challenging schedules.

4.9 However, for half the projects examined in this chapter, the agencies had not demonstrated that business benefits were achieved. Several factors are likely to have contributed to this.

4.10 Firstly, many projects included a large number of planned business benefits, and had not set specific targets. The approved plans commonly identified 10 to 20 benefits for each project. The large effort involved in assessing so many benefits is likely to have discouraged the project teams from undertaking the assessment. The absence of specific targets meant there was no benchmark available to assess success. It also meant the relative importance of each benefit was unclear, and thus provided no guidance on which benefits were worth the cost of measuring. Identifying the most important business benefits, with targets, would assist decision-makers to choose between projects and make it more practical to measure them subsequently.

4.11 Secondly, the project status reports during implementation generally did not include discussion of approved benefits. Appropriately, project steering committees and ICT committees monitored resource usage and project

[32] The shortfalls in Table 4.1 from initially approved ICT deliverables had varied explanations. For project A, funding was approved with no clear specification of the work, and the funds were used on a series of ad hoc improvements. For project K, the desired business benefits were achieved after implementation of half the approved ICT components, so no further work was done. For project K, the potential impact of the initial approval of apparently unnecessary activities was reduced by sound management during project implementation.

activities such the collection of requirements and the development and testing of software modules. However, they usually did not assess or consider progress toward approved business benefits, such as 'faster reporting' or 'reduced processing costs'.

4.12 While the full benefits may not be able to be measured until after the project has been competed, there are generally useful interim measurements. For example, two projects included an objective of assessing grant applications more quickly. The project plans included testing that the new system would assess the grants *correctly*, and this activity could also have been used for early measurement of how *quickly* the grants would be assessed.

4.13 In several projects, a post implementation review was included in the approved project plan and was scheduled to have occurred prior to audit fieldwork. None of these had been carried out. A number of these included comprehensive lists of indicators and targets.

4.14 Identifying interim targets for business benefits, or for associated indicators, and including them as part of the initial approval is likely to improve the focus of the implementation team and project steering committees on achieving business benefits. Interim targets would also encourage the early implementation of benefit monitoring arrangements that could continue to be used during the system's life.

4.15 In conclusion, most of the projects were within cost but often late. Most of the planned ICT functions were delivered. However the achievement of planned benefits had often not been demonstrated, in part because the original approvals had not provided a practical basis to define success and encourage a focus on benefits during implementation and in subsequent operation.

Recommendation No.3

4.16 The ANAO recommends that agencies record the approval of individual projects in a concise project approval statement, which provides a basis for:

(a) assessing overall project success (including time, cost, specific deliverables, and specific business benefits);

(b) monitoring project progress, by setting interim targets and goals (including intended business benefits or associated leading indicators); and

(c) recording responsibility for specific supporting elements of the business case, such as development and implementation costs and realisation of promised benefits.

Agencies' responses to the recommendation

4.17 Each of the audited agencies and the Department of Finance and Deregulation agreed with the recommendation.

DEEWR

4.18 The Department's current IT Investment process includes an approval statement. The material covered in the approval statement will be assessed to ensure consistency with this recommendation as part of the current review of the IT investment process.

DoHA

4.19 Producing a concise project approval statement will reduce confusion over what was approved and any qualifications made at the time. It will also provide the baseline against which ongoing measurement and monitoring of the project can be undertaken.

DVA

4.20 Implementation of a project approval statement linked to the specific key elements of the business case will address this requirement, and the necessary changes will be developed for endorsement by DVA's governance committees before implementation. DVA's adoption of the PRINCE2 project management method contributes to ensuring that project approval statements will be reviewed in conjunction with the business case at each project stage gate.

Ian McPhee
Auditor-General

Canberra ACT
10 February 2009

Appendices

Appendix 1: Comments from audited agencies

This Appendix contains general comments received on the audit report that are not shown in the body of the report.

Each of the agencies selected for the audit, together with the Department of Finance and Deregulation, were asked to comment on the proposed audit report in accordance with the provisions of section 19 of the *Auditor–General Act 1997*.

Agencies' responses to a recommendation have been included in the body of the report under the subheading 'Agencies' responses to the recommendation' directly following the recommendation.

General responses are reproduced below.

The Department of Education, Employment and Workplace Relations advised:

> The Department of Education, Employment and Workplace Relations (DEEWR) accepts the findings presented in the proposed report.
>
> The Department notes that overall the ANAO considered that the governance framework at DEST (upon which the current DEEWR framework is based) for the initiation of business system projects was soundly based.
>
> We accept the need for continued efforts to improve IT governance frameworks, noting especially the recommendation to improve the focus on intended business benefits.
>
> We are currently reviewing and improving our IT Investment framework for the start of the 2009–10 investment round and the recommendations from this audit will provide a valuable input into this process.

The Department of Health and Ageing advised:

> The Department of Health and Ageing is supportive of the ANAO's proposed report and agrees with the findings.
>
> The continued improvement in project planning and governance is a high priority for the Department. At any given time the Department has a number of business system development or enhancement projects underway. Experience has shown that effective initial planning and approval are critical factors for project success.
>
> Whilst considerable improvement has been made in project planning and approval in the Department it is recognised that further improvement can be achieved through:

- improvement in the definition and management of business benefits, including confirmation that the project scope includes both the business and ICT activities required to achieve the intended benefits;
- strengthening of processes and support for validating the reliability of business system project business cases; and
- production of a concise project approval statement that provides the baseline against which ongoing measurement and monitoring of the project will be undertaken.

The Department of Veterans' Affairs advised:

The Department of Veterans' Affairs agrees with the overall findings and recommendations of the ANAO report, in particular, that the arrangements for business system approval were designed appropriately, with scope for some improvements to make them more effective. Since establishing the Project Management Office in 2006, DVA has taken positive steps to strengthen the project governance and management framework. The report's findings highlight areas where the Department's ongoing commitment to strengthening the governance framework is improving the quality of project governance in the initiation and implementation stages of projects, as well as identifying better practice in project governance throughout the project life cycle.

Department of Finance and Deregulation

The Department of Finance and Deregulation (Finance) supports the report and endorses its recommendations.

As noted in the report, Finance has prepared extensive guidance on the Government's ICT investment framework. This includes a guide to developing business cases for ICT proposals. A key part of the ICT investment framework is the ICT Two Pass Review process, agreed by Cabinet in April 2008.

The ICT Two Pass Review process applies to ICT-enabled proposals that: have a total cost estimated to be $30 million or more, including ICT costs of at least $10 million; and involve high risk.

Appendix 2: Typical responsibilities for ICT approval at the examined agencies

Role	Typical Responsibility
Direction setting	Minister and agency executive set organisational priorities. Agency executive approves major ICT strategy.
Project concept stage	
Initial generation of project concepts	Business area of agency.
Assessment of project concept	ICT support area typically provides initial advice on costs and feasibility, and provides some business analysis support.
Assistance with clarifying and enhancing project concepts	Mid level ICT committee and ICT support areas.
Approval for concepts to proceed to next stage	For potential new policy proposals, priority setting occurs through the agencies' Budget processes. For agency-funded projects, the business planning processes in conjunction with an ICT committee.
Detailed proposal stage	
More detailed development of proposal	Business area.
Certification of project proposal	Costings and technical compatibility reviewed by a specialist area. Project proposals signed by the business owner to commence formal assessment.
Assessment of project proposal	Typically a mid level ICT committee, or sub-committees, assesses proposals and recommends priorities.
Selection of project proposals	Priorities approved by high level ICT committee, or senior executive on advice of the committee.
Approval of project proposals	High level ICT committee.
Post approval	
Implementation	Business area.
Progress oversight	Primarily business area; ICT committees review summary progress reports.

Source: ANAO analysis of the audited agencies' ICT and business governance arrangements.

Appendix 3: Illustrative example of a Project Approval Statement

The *project approval statement*, as mentioned in Recommendation 3, is intended to help focus senior managers' attention on the important high-level elements of a proposal and provide a concise formal record of the decision. Key issues typically involve:

- the project scope, expressed in high level business terms;
- the key targets senior management will use to monitor implementation progress and subsequent project success;
- specific assurances in support of the proposal; and if relevant,
- any information to assist senior management in their coordination of multiple projects - such as key interaction between projects.

The following example is for an illustrative project. The extent that each organisation adopts these contents, including the emphasis given to each component, depends on its individual circumstances.

'CS-2 Online Approval of Client Services: Project Approval Statement.

Project deliverables, in business terms:
(1) Reduce the rate of overpayments to clients, from 6 per cent of payments to 0.5 per cent, by introducing a computer system for service providers to approve services against individual client entitlements in real time.
(2) Reduce departmental costs by net $2.5 million per year - largely by reduced staffing in the Overpayments Recovery Section, offset by operating costs for the new system.

ICT Capability Contribution: This project will develop and deliver the new Provider Authentication Module (PAM), which will be used in all future provider related systems.

The project will use standard linkages to the financial system; the payment checking functions are specific to this business unit and no re-use is planned.

Expected flow on benefit: Savings in program funds of $16 million a year (through avoidance of written-off debts). The exact saving depends on client eligibility criteria and entitlement rates. These are not within the control of the project, and thus the saving of program funds is not a project deliverable.

Key performance targets following implementation (1 July 2010)

Measure	Target
Proportion of overpayments (currently 6%)	0.5%
Elapsed time for providers to obtain approval (data entry and system response time)	80% < 30 secs, 98% < 60 secs
Time to train a new provider in the system	4 hours or less
System capacity	2 500 providers, nationwide

Key targets during implementation (to be reported to ICT Investment Committee)

	Jul 2009	Sep 2009	Nov 2009	Feb 2010	Apr 2010
No. module designs approved	3	10	15	15	15
No. modules coded & tested	0	0	8	15	15
% providers signed up	0	0	40%	100%	100%
% providers connected	0	0	20%	60%	100%

By 1 Feb 2010, report on tests of provider related targets (i.e. approval processing and training times). Given concerns raised by peak bodies that the new system may increase costs for service providers, this is a critical requirement.

Go-live date - 1 July 2010 - to coincide with new issue of annual entitlements rates.

Project Financial Schedule $m

Item	2009-10	2010-11	2011-12
Capital (development)	2.2	0.0	0.0
Ongoing system costs	0.0	0.7	0.7
Implementation costs	1.8	0.0	0.0
Gross administrative savings	0.0	-3.2	-3.2
Total - internal funding	*4.0*	*-2.5*	*-2.5*

Business Plan impact

The elements of the funding schedule for this project will be shown as separate line items in business plans. Client Services Branch will have an additional $4.0 million in 2009-10 to undertake the project. Development and ongoing funding will be held by Client Services Branch and paid to IT Services Branch on a user-pays basis. From 2010-11 onwards, Client Services Branch will have its ongoing funding reduced by $2.5 million a year (to, in effect, repay the initial project funding from the Investment Reserve, and subsequently in support of broader cost reduction targets).

Supporting sign-offs: This project approval has been given based on the following assurances and recommendations related to the above deliverables and targets, based on project plan *CS-2 Online Approval Plan version 1.23* :

1. The implementation activities ($1.8m) and system specification in the project plan are necessary and sufficient to achieve the business objective. If the system operates as specified the $3.2m p.a. saving in Overpayments Recovery Section can be achieved. I am confident the project assumptions are realistic, and the risks are manageable within the time and budget. *{signed}* A.S. Client Service Branch (Project Owner)

2. The system specification in the project plan can be developed within 14 months of approval, at a development cost of $2.2 million and ongoing cost for infrastructure and maintenance $0.7 million a year. *{signed}* A.S. IT Services Branch (Provider of development services)

3. The design in the project plan conforms to our IT architecture. The Provider Authentication Module must be developed to meet new security guidelines, even if this project is not approved. *{signed}* Director, IT Architecture.

4. The ICT Investment Committee has reviewed this proposal and considers that the indicated costs and timetable are realistic, that the proposed governance arrangements are appropriate, and in the context of all other proposals in this business planning cycle, recommends the project for funding *{signed}* Chair ICT Investment Committee. (Reviewing body)

Project Approval: The above high level project parameters and funding are approved. The Project Owner should prepare detailed plans consistent with this approval and in accordance with the department's project management methodology, for detailed approval and monitoring through the branch business plan.

Approved by *{signed}* Authorised Delegate.

Series Titles

ANAO Audit Report No.1 2008–09
Employment and Management of Locally Engaged Staff
Department of Foreign Affairs and Trade

ANAO Audit Report No.2 2008–09
Tourism Australia

ANAO Audit Report No.3 2008–09
Establishment and Management of the Communications Fund
Department of Broadband, Communications and the Digital Economy
Department of Finance and Deregulation

ANAO Audit Report No.4 2008–09
The Business Partnership Agreement between the Department of Education, Employment and Workplace Relations (DEEWR) and Centrelink
Department of Education, Employment and Workplace Relations
Centrelink

ANAO Audit Report No.5 2008–09
The Senate Order for Departmental and Agency Contracts (Calendar Year 2007 Compliance)

ANAO Audit Report No.6 2008–09
Illegal, Unreported and Unregulated Fishing in the Southern Ocean
Australian Customs Service

ANAO Audit Report No.7 2008–09
Centrelink's Tip-off System
Centrelink

ANAO Audit Report No.8 2008–09
National Marine Unit
Australian Customs Service

ANAO Report No.9 2008–09
Defence Materiel Organisation–Major Projects Report 2007–08

ANAO Audit Report No.10 2008–09
Administration of the Textile, Clothing and Footwear Post–2005 (SIP) Scheme
Department of Innovation, Industry, Science and Research

ANAO Audit Report No.11 2008–09
Disability Employment Services
Department of Families, Housing, Community Services and Indigenous Affairs
Department of Education, Employment and Workplace Relations

ANAO Audit Report No.12 2008–09
Active After-school Communities Program
Australian Sports Commission

ANAO Audit Report No.13 2008–09
Government Agencies' Management of their Websites
Australian Bureau of Statistics
Department of Agriculture, Fisheries and Forestry
Department of Foreign Affairs and Trade

ANAO Audit Report No.14 2008–09
Audits of Financial Statement of Australian Government Agencies for the Period Ending June 2008

ANAO Audit Report No.15 2008–09
The Australian Institute of Marine Science's Management of its Co-investment Research Program
Australian Institute of Marine Science

ANAO Audit Report No.16 2008–09
The Australian Taxations Office's Administration of Business Continuity Management
Australian Taxation Office

ANAO Audit Report No.17 2008–09
The Administration of Job Network Outcome Payments
Department of Education, Employment and Workplace Relations

ANAO Audit Report No.18 2008–09
The Administration of Grants under the Australian Political Parties for Democracy Program
Department of Finance and Deregulation

ANAO Audit Report No.19 2008–09
CMAX Communications Contract for the 2020 Summit
Department of the Prime Minister and Cabinet

ANAO Audit Report No.20 2008–09
Approval of Funding for Public Works

Current Better Practice Guides

The following Better Practice Guides are available on the Australian National Audit Office Website.

Developing and Managing Internal Budgets	June 2008
Agency Management of Parliamentary Workflow	May 2008
Public Sector Internal Audit	
An Investment in Assurance and Business Improvement	Sep 2007
Fairness and Transparency in Purchasing Decisions	
Probity in Australian Government Procurement	Aug 2007
Administering Regulation	Mar 2007
Developing and Managing Contracts	
Getting the Right Outcome, Paying the Right Price	Feb 2007
Implementation of Programme and Policy Initiatives:	
Making implementation matter	Oct 2006
Legal Services Arrangements in Australian Government Agencies	Aug 2006
Preparation of Financial Statements by Public Sector Entities	Apr 2006
Administration of Fringe Benefits Tax	Feb 2006
User–Friendly Forms Key Principles and Practices to Effectively Design and Communicate Australian Government Forms	Jan 2006
Public Sector Audit Committees	Feb 2005
Fraud Control in Australian Government Agencies	Aug 2004
Security and Control Update for SAP R/3	June 2004
Better Practice in Annual Performance Reporting	Apr 2004
Management of Scientific Research and Development Projects in Commonwealth Agencies	Dec 2003
Public Sector Governance	July 2003
Goods and Services Tax (GST) Administration	May 2003
Building Capability—A framework for managing learning and development in the APS	Apr 2003
Administration of Grants	May 2002

Performance Information in Portfolio Budget Statements	May 2002
Some Better Practice Principles for Developing Policy Advice	Nov 2001
Rehabilitation: Managing Return to Work	June 2001
Business Continuity Management	Jan 2000
Building a Better Financial Management Framework	Nov 1999
Building Better Financial Management Support	Nov 1999
Commonwealth Agency Energy Management	June 1999
Security and Control for SAP R/3	Oct 1998
Controlling Performance and Outcomes	Dec 1997
Protective Security Principles (in Audit Report No.21 1997–98)	Dec 1997