Government Submission to the Public Accounts Committee

Auditor-General

Performance Audit Report

Chris21 Human Resource Management System: Procurement and Implementation

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Introduction

This audit report deals with the replacement of the Territory's legacy HR system, which the Government agreed to fund in the 2002-03 Budget primarily in response to risks around the existing PERSPECT/CITEC system that had been in place since 1992.

While PERSPECT was developed specifically for Commonwealth conditions, it was progressively being replaced as Commonwealth agencies implemented new generation systems. As the number of Commonwealth clients fell, the ACT became increasingly concerned that PERSPECT would not be supported or that the essential pay calculation and disbursement services provided by CITEC (a Queensland owned company) would be discontinued.

The project to replace PERSPECT/CITEC commenced in mid-2002. After development of detailed documentation including specifications, a request for proposal was issued in April 2003. The evaluation led to an announcement that Frontier's Chris21 would proceed to proof of concept in December 2003.

The system replacement always represented a significant challenge – not just because the former system was developed specifically to support the Commonwealth conditions inherited by the ACTPS, but also because of the small scale and wide diversity of our service as well as our multi-paycentre/multi-user operational environment.

That challenge was made much greater by the need to accelerate implementation to maintain pay continuity when one of the legacy providers decided against extending a contract other than at prohibitive cost (i.e. a 1000% increase on previous charges). This resulted in a fundamental and rapid change to the project, with a strong and correctly targeted focus on delivery of the system to maintain pay continuity by 30 June 2005. Achievement of pay continuity in these extremely difficult circumstances is a testament to the hard work and commitment of the project team, InTACT and the agencies involved.

The audit has taken some account of these issues in its report. While the compressed implementation plan incorporated the need to continue implementation work to stabilise the system in the period after go-live, the post implementation work and challenges were greater than anticipated. Work continued to improve the system's configuration, implement software upgrades and deliver annual and personal leave by April 2006.

As indicated in the audit report, Frontier is developing software to support long service leave functionality for the ACTPS and its Commonwealth clients. Superannuation operates as intended, although a calculation error carried over from Commonwealth/PERSPECT days in relation to one component of superannuation was discovered in testing in late 2005. This affects a decreasing number of casual staff and is addressed within the pay centre by a relatively simple workaround. A system change has been sought from Frontier.

The audit found that the structures for project implementation and management were generally sound. However, partly due to the compressed implementation, it identifies some problems in actual project management.

In some areas CMD has taken issue with the audit's approach, particularly where the benefit of hindsight does not appropriately acknowledge the reality of the compressed implementation. Notwithstanding these concerns, the Government generally supports the recommendations on the basis that it is best to look forward and support future practice. The Government welcomes the prospect of work with the Audit Office in this area, particularly in the context of the shared services environment implemented in the ACT Public Service in February 2007.

As flagged by the Department in its management response to the report, some issues do deserve specific comment. First, the audit considers there is no evidence of planning or scheduled implementation of the extended functionality of a new generation system. Other than electronic leave functionality which is now being rolled out, the Territory did defer these and turned instead to a major business process review and improvement initiative in the implementation of a shared services centre.

Shared Services provides a single organisational focus for future change management and process improvement and combines the previously disparate elements of HR system ownership and operational control within a single organisation. That the HR elements of the shared service centre went live in February 2007 after a 7 month implementation is an unacknowledged benefit of the Chris21 HR system implementation. It is less likely that this timetable could have been achieved without the preparatory work of the earlier project.

Secondly, the audit makes a number of comments about the number of modifications to the system and whether this reflected adversely on system specifications or project management. Modifications to the "vanilla" system were expected and they were finally agreed in close consultation with agencies and Frontier, taking into account Frontier's response to the Statement of Requirements, agency business needs, the desirability of reducing discretionary operational diversity across agencies, as well as the technical aspects of the system.

Finally, the audit is critical of the consultant reviews commissioned throughout the project. Engaging external consultants and advice was a key part of risk management and quality control in a complex project. All reports contributed to the project and were considered a valuable investment. In this context, it is also noted that the consultants and contractor budget was predominately allocated to Frontier licence and implementation costs and project management and IT contractor costs.

Government response to specific recommendations

Recommendation 1: CMD and Treasury should agree to standard methodology to support complex IT projects. Project plans should be reviewed and approved by both the Project Owner and Steering Committee of the Project and properly implemented.

Agreed. The Government supports the development of standard IT project methodology including common template documents. This approach should assist project management and support best practice but also remove doubt about choice of approaches after the event. Any standardised approach should be sufficiently flexible to adapt to different circumstances. The Government recommends that the Audit Office should be consulted on the proposed approach. In relation to the HR system implementation, CMD has indicated in the audit report that the compressed implementation resulted in a new high level plan, supported by linked plans for specific areas (such as testing, training etc). This replaced earlier plans and was developed in conjunction with the Project Owner, considered by the Project Board and was implemented to ensure the accelerated delivery schedule maintained pay continuity.

Recommendation 2: Agencies should ensure that contracts with third party suppliers are sufficiently robust and have appropriate strategies in place to minimise the risk of withdrawal or variation of their services adversely affecting the operation of critical business systems.

Agreed, although it is noted removal of all risks may inordinately increase costs.

Recommendation 3: CMD should complete a post-implementation review of the implementation of Chris21. The review should inform measures to be taken and a timetable to complete the installation of full system functionality; and better practice for the installation of large IT systems in the ACT, including lessons learned from the Chris21 implementation.

This recommendation is supported in part. In the context of this project, the Government considers a high level review, which would include lessons learnt, is appropriate. There are a number of reasons for this. First, the project is atypical because of the impact of an external event so that parallels to wider IT implementations are relatively limited. Secondly, a wider better practice review for the installation of large IT systems in the ACT would not normally be included in a post-implementation review of a particular project. Thirdly, Shared Services now has operational ownership of the system and is appropriately supporting work with Frontier to continuously improve system operation and business processes.

Recommendation 4: To promote certainty in the ongoing management of any major IT system, CMD and Treasury should ensure project management methodologies include a requirement for the project owner to accept the system as delivered or notify the system vendor or developer that acceptance is conditional on modifications to the system to meet agreed specifications; and document the decision regarding acceptance or otherwise of the system.

Agreed, although it is noted that in the case of the HR system implementation, an acceptance process was completed in conformance with the contract and appropriately documented.

Recommendation 5: For accuracy and completeness CMD and Treasury should ensure project budgets identify and include the costs to be borne by agencies.

Agreed. Even where agencies are expected to absorb their own costs, as in the case of this project, it is preferable to identify these costs upfront and review them throughout the project.

Recommendation 6: To improve the efficiency of the Chris21 HRMS, CMD and Treasury should continue their efforts to simplify the administration of the conditions of employment in the ACTPS.

Agreed. Some of the most complex conditions of service have already been changed with consequential benefits to the administration of Chris21. This work will continue as complex conditions of service are identified and assessed for their potential for modification by changes to policy, employment standards or industrial negotiations. Shared Services will also continue its work in improving business processes.
