Managing ICT contracts

An audit of three public sector programmes

AUDIT SCOTLAND

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Auditor General for Scotland

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Key facts

Disclosure Scotland
Total spend to date

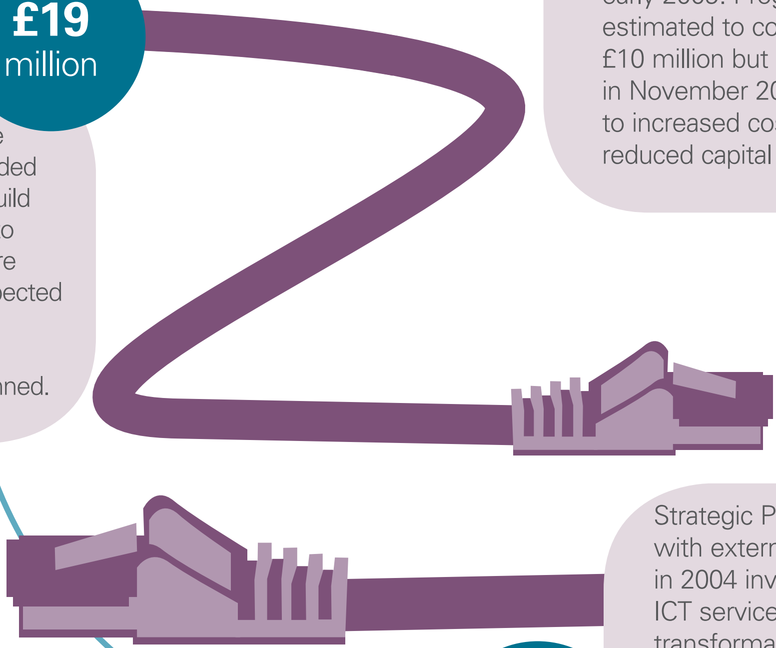
£19 million

The Protecting Vulnerable Groups programme included a project to design and build a new ICT system used to check and issue disclosure certificates. Project is expected to be delivered within £29 million budget but 18 months later than planned.

Crown Office and Procurator Fiscal Service
Total spent on project before termination

£2.3 million

Phoenix case management programme initiated in early 2009. Programme estimated to cost £10 million but terminated in November 2010 due to increased costs and reduced capital budget.



Registers of Scotland
Total spend to date

£112 million

Strategic Partnership Agreement with external supplier started in 2004 involving ongoing ICT service provision and transformation programme. Original cost to end of partnership estimated at £66 million but costs expected to increase due to inflation and new ICT development opportunities. Notice given to terminate contract 20 months early.

The three ICT programmes were central to the organisations' activities.

Introduction

1. In December 2011, the Auditor General for Scotland prepared separate short reports on the accounts of the Registers of Scotland, Crown Office and Procurator Fiscal Service and Disclosure Scotland.[1] These reports were concerned with the delay in, or cancellation of, information and communications technology (ICT) projects which were of key importance to the ongoing activities and operational efficiency of each organisation.[2] When these reports were published, the Auditor General indicated his intention to undertake a more detailed examination of the management of the projects to identify what lessons could be learned.

2. Over the last 25 years, the expansion of ICT has brought about fundamental changes to the way we work and live our lives. Effective ICT is essential to allow public bodies to deliver services that are more timely, coordinated, less bureaucratic, and to improve their efficiency. Some ICT services in the public sector are provided by in-house teams and others are sourced from external providers. In 2010/11, the public sector in Scotland spent around £736 million with external suppliers of ICT-related goods and services.[3] Central government bodies (excluding the NHS) were responsible for 24 per cent of this total (£178 million).

Background

3. The ICT projects examined in our audit formed part of wider programmes of development and improvement in each of the public bodies:

Crown Office and Procurator Fiscal Service (COPFS)

Responsible for the prosecution of crime in Scotland, the investigation of sudden or suspicious deaths, and the investigation of complaints against the police. Its annual operating costs were £112 million in 2010/11.

The Phoenix programme was initiated in early 2009, at an estimated cost of £10 million, because a number of software elements of the existing case management system used to help prepare criminal cases for prosecution were outdated and lacked readily available technical support. The programme involved the design and build of a new case management system, supply of related hardware, data migration and training. The development of the new case management system was procured through using an existing ICT support and development contract with Capgemini.

Management of the programme exhibited a number of weaknesses but it was cancelled in November 2010 before construction started due to increased costs and a significantly reduced capital budget.

Disclosure Scotland

Issues disclosure certificates to potential employers and voluntary sector organisations, outlining criminal history information on individuals applying for posts. Its annual operating costs were £26 million in 2010/11.

The Protecting Vulnerable Groups (PVGs) programme was introduced to meet the requirements of the Protection of Vulnerable Groups (Scotland) Act 2007 with the intention of making it easier for employers to determine who they should check to protect children and vulnerable adults. A registration system is intended to reduce the need for PVG scheme members to complete a detailed application form every time a disclosure check is required.

The whole programme was estimated to cost £31 million and included a £29 million project to design and build a new ICT system to support the new arrangements and replace the existing system, along with other information management projects, training and guidance. The development of the new ICT system was procured through amending an existing service contract with British Telecommunications plc (BT). The programme management team for this development was part of the Scottish Government as Disclosure Scotland did not exist as a separate entity until April 2009, when it became an executive agency of the Scottish Government.

The programme experienced a number of significant problems when it went live in February 2011. Disclosure Scotland and the supplier continue to work on these problems and core functionality is now expected to be established by autumn 2012.

Registers of Scotland (RoS)

Responsible for compiling and maintaining registers relating to property and other legal documents. Its annual operating costs were £78 million in 2010/11.

The ICT projects formed part of a ten-year Strategic Partnership Agreement (SPA) which was agreed with BT in 2004, following a competitive procurement exercise. There were two main elements to the contract: ongoing ICT service provision and a transformation programme to update IT systems and applications. The main aim of the transformation programme was to allow RoS to streamline working practices and generate efficiencies through greater use of ICT to create, process and store electronically records related to land and property transactions. The original cost of the SPA was estimated to be £66 million at 2004 prices, although inflation and the identification of new ICT development opportunities over the ten-year period were expected to increase costs.

While both RoS and BT consider the ongoing ICT service provision has largely been successful, RoS now considers that the partnership outsourcing of all ICT was inappropriate and it has terminated the SPA.

1 The reports were prepared under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. These reports are concerned with issues arising from the audit of accounts of individual public bodies.
2 The term ICT refers to the tools and techniques used to capture, store, manipulate, communicate and use information. In this report we use the terms ICT and information technology (IT). We prefer ICT to fully include all aspects of technology; however, IT is used where quoted from an original source.
3 Scottish Procurement Information Hub (Spikes Cavell), accessed March 2012.

Exhibit 1
Key findings about each of the contracts

Crown Office and Procurator Fiscal Service (COPFS)

- Business case for Phoenix approved in August 2009, with an expected end date of June 2011 and an estimated cost of £10 million.
- Business case endorsed initial decision to extend contract of current ICT supplier and examined options relating to the scale and scope of the ICT programme. It did not assess value for money of preferred option as key sections, such as on whole-life costs, were left blank.
- Structured governance framework in place for the programme as a whole but was not always used to support decision-making.

Disclosure Scotland

- Business case approved by Scottish Government in June 2009, with an expected end date of May 2011 and an estimated cost of £31 million.
- Business case options concentrated on whether new services required under the PVGs legislation could continue to be developed through existing joint working arrangements involving the private sector. Options did not focus on who was going to develop the ICT system to support service delivery.
- Disclosure Scotland represented on the programme governance board but did not directly manage the development programme. Programme management was separate from those staff who would use the ICT system to check and issue disclosure certificates.

Registers of Scotland (RoS)

- Ten-year SPA agreed with BT in 2004. Original cost to end of partnership estimated at £66 million at 2004 prices, but inflation and new ICT development opportunities arising over ten years were expected to increase costs.
- Business case developed after evaluation of wide range of options. Business case lacked clear definition of expected benefits from preferred partnership-style option and insufficient recognition was given to the importance of business change within the programme.
- Partnership and Change Group, overseen by a Partnership Board, was established to provide oversight of the SPA. The Partnership Board's role was insufficiently focused on high-level strategic

Source: Audit Scotland

- Absence of detailed costing, benefits and milestones allocated to individual projects meant progress reporting lacked detail on time, cost and quality. Also, recommendations from Gateway Review health checks were not always acted on.[1] As a result, senior management lacked full understanding of programme progress and potential issues.
- Programme staff familiar with PRINCE2 project management principles but lacked experience of complex ICT programmes.
- COPFS terminated programme in November 2010 before construction started, due to increasing programme complexity resulting in higher development costs, and a significantly reduced capital budget.
- Total spent on the development before termination was £2.3 million, which has subsequently been written off.

1 Gateway Reviews are short, focused reviews which occur at key decision points and are intended to provide assurance on delivery of major projects. They are widely used across the UK public sector having originally been developed by the Office of Government Commerce. Independent assurance reports also include reports from technical advisers and consultant reports on the contract.

- Supplier tended to see Scottish Government, not Disclosure Scotland, as its client as this was who its contract was with. Where programme team and Disclosure Scotland had different views of risks and priorities, this added to difficulties in resolving issues.
- Programme development influenced by a fixed implementation date for the new PVGs legislation. Resulted in only limited time available for construction of ICT system and insufficient time to allow a trial run prior to full-scale implementation.
- Programme team lacked experience of managing suppliers in a significant ICT development and did not understand risks of not properly testing systems before implementation. Consultants were appointed to provide Intelligent Client role at key stages but were not expected to provide ongoing support.
- Disclosure Scotland took over operational responsibility for the system once it had gone live in February 2011, with governance responsibility transferring in June 2011. System experienced significant problems and did not perform as required. Supplier implemented a recovery plan to rectify faults.
- Expenditure of £19 million to date on the ICT system. Scheduled payment due when system went live was withheld when the problems emerged but phased payment of this is now being made against specific delivery requirements. Supplier has paid Disclosure Scotland nearly £2 million to fund additional costs of manual workarounds and additional staff required.
- Disclosure Scotland expects majority of defects to be fixed and core functionality established by autumn 2012. Old system that is still currently in use will be shut down in spring 2013.

oversight, and established procedures to refer significant issues to it for consideration were not always followed.

- Individual projects lacked detailed cost, benefits and milestones, and contributed to a lack of ownership for cost and time overruns. Progress reporting on individual projects failed to identify that the programme as a whole was behind schedule and overspend was likely.
- Six-year gap between Gateway Reviews meant the opportunity to address emerging difficulties with overall transformation programme was missed. Results of other assurance reviews, such as that expressing concern about the design of the proposed partnership contract, were not adequately taken into account.
- Terms of SPA meant BT was intended to act as ICT provider and to also have Intelligent Client role. This contributed to RoS having insufficient in-house ICT skills and experience with which to understand and manage the interdependencies of individual projects, and to some ICT projects being delivered late or not at all.
- Two individual projects within the programme now cancelled, with costs of £6.7 million written off in March 2011. Total spend to March 2012 on SPA is £112 million.
- RoS now considers the partnership outsourcing of all ICT was inappropriate and a more traditional client-supplier relationship would have been better. RoS has terminated the SPA meaning that the contract will end 20 months early. Level of compensation payable to BT is currently being negotiated.

About our audit

4. Our audit reviewed the management of the contract extensions by COPFS and Disclosure Scotland, and the overall ICT contract in RoS. We looked at what factors contributed to the problems encountered and whether any lessons learned could be used by other public bodies when undertaking ICT-related programmes in future. For simplicity, we use the term 'contracts' in the rest of this report to mean both the extensions to the COPFS and Disclosure Scotland ICT contracts and the overall RoS ICT contract. We use 'programmes' to mean the series of individual projects and workstreams of which the ICT contracts formed a significant part.

5. The audit methodology included interviewing senior people within the public bodies and reviewing key documents including independent assurance reports, such as Gateway Review reports, and internal audit reviews. A prime source of audit evidence was the 'lessons learned' reviews which each of the organisations commissioned to assess the principal causes of the problems which affected the programmes. The audit concentrated on planning and governance arrangements, including progress reporting and risk management. Because the ICT contracts were part of wider programmes, our consideration of these issues tended to focus at the overall programme level rather than on the individual ICT contracts. We did not evaluate the design of, or format chosen for, the original ICT contracts, the contract award processes or supplier performance.

6. Our report is in two parts:

- Part 1 evaluates the management of the three contracts.
- Part 2 reviews the current status of each of the contracts, and highlights opportunities for improving the central oversight of individual ICT programmes.

Exhibit 1 (previous page) provides a summary of our findings in respect of each ICT programme.

7. Current public sector spending constraints make it even more important for public bodies to make best use of the funds they have available. The findings of this audit, and more recent examples of ICT problems, suggest that the public sector's management of ICT programmes may represent a significant risk to achieving value for money. Audit Scotland will therefore consider the scope for further work looking at the public sector's management of ICT, including how the recommendations of this report have been implemented.

Key messages

- There were significant weaknesses with the management of the three programmes (Exhibit 1). In particular:
  - While each of the bodies established a business case for their programme, these were of variable quality. The appraisal of options was mixed and the benefits planned from the programmes were not always clearly defined.
  - Governance structures were agreed but there were instances where the roles and responsibilities of respective partners were not clear. In addition, procedures to raise significant issues with high-level boards were not always followed.
  - In COPFS and RoS, there were failings in financial control and progress reporting, with programme managers providing insufficient detail to boards to support decision-making.
  - The findings of independent assurance reports were not always acted on. In RoS, the accountable officer was not informed that a key step in the Gateway Review process had been cancelled.
- A key factor in the failure to deliver the programmes as intended was the public sector bodies' lack of specialist skills and experience. This contributed to a lack of understanding about the complexity of the programmes and an over-reliance on the supplier for key decisions affecting the design and implementation of the necessary technology. The Scottish Government was unable to provide the three public bodies with all the advice and support they sought, although it did provide technical support to Disclosure Scotland when the problems with its ICT programme became ingrained.
- The three bodies have all taken action in response to the problems. COPFS has cancelled its ICT programme and written off the £2.3 million spent. RoS has cancelled two ICT projects and written off £6.7 million, and has given a year's notice to terminate its partnership agreement. Disclosure Scotland expects full system functionality by autumn 2012, with nearly £2 million compensation having been paid by the supplier to cover additional costs incurred.
- There are opportunities to enhance the oversight of individual programmes through new governance arrangements, which the Scottish Government is developing for its Digital Public

Services strategy. In particular, the Scottish Government is reviewing the roles of its existing Strategic Corporate Services Board so that it has responsibility for reviewing key ICT investment decisions, and its existing Information Systems Investment Board so that it has responsibility for monitoring the implementation and use of ICT by central government bodies.

Recommendations

All central government bodies should:

- ensure that senior managers and boards use the questions in Appendix 1 to scrutinise and challenge the management of ICT programmes. In particular, they should ensure that:
  - effective governance and risk management arrangements are in place and are being complied with
  - established project management frameworks are being followed
  - robust performance management arrangements have been developed and appropriate progress reporting is taking place
  - detailed skills assessments have been completed and that all staff have the necessary skills and experience for their roles.

The Scottish Government should:

- assess the skills required for future central government ICT programmes and ensure these skills are accessible to public bodies. This would require:
  - a strategic review of current ICT skills availability within central government to identify gaps, and the subsequent development of actions to address these. The review should consider whether it would be beneficial to develop centralised pools of expertise, what would be required to achieve this and the circumstances when it would be most appropriate to use the private sector to maximise the skills available to public bodies
  - taking steps to ensure a sufficiently strategic approach is applied to ICT developments in central government. The number of ICT staff in central government has reduced in recent years, and the Scottish Government should compare the costs and benefits of investing in skills centrally against the risks of failing to deliver ICT programmes through individual central government bodies lacking appropriate skills.
- review the purpose, use and frequency of Gateway Reviews to consider the scope for improvements. In particular, the Scottish Government should consider whether public bodies preparing for ICT programmes should be required to produce improved assurance plans, such as the Integrated Assurance and Approval Plans which are being developed by the Major Projects Authority in England[4]
- ensure that it has strategic oversight of significant ICT programmes across central government. To do this, it should consider the scope for widening the remit of the Information Systems Investment Board to include:
  - a review of the initial skills assessment by the body developing the ICT programme to ensure that it has identified the relevant skills required
  - monitoring the performance of significant ICT programmes and actions taken in response to findings from the Gateway Review process and other independent assurance
  - providing access for individual ICT programmes to appropriate specialist resources and support where necessary.
- promote the learning arising from ICT programmes by ensuring that the findings of the COPFS, Disclosure Scotland and RoS 'lessons learned' exercises, and all future exercises, are distributed appropriately across the public sector and that public bodies have access to the appropriate skilled resources to be able to implement them
- seek assurances from those central government bodies with ongoing significant ICT programmes that the issues raised in this report regarding weaknesses in management, are not also present in those programmes. In particular, the Scottish Government should confirm that programme boards have appropriate ICT expertise to optimise their scrutiny and challenge function.

4 The Major Projects Authority was established by the UK Cabinet Office in January 2011 to significantly improve the delivery of major projects across central government in England to time and budget. Integrated Assurance and Approval Plans are expected to contribute to a more timely and coordinated assurance regime for projects, resulting in less but more effective assurance.

Part 1. Management of the three contracts

There were significant weaknesses in the management of the ICT programmes.

Key messages

- There were significant weaknesses in the management of the three programmes:
  - The quality of business cases and options appraisals varied, and the benefits were not clearly defined.
  - Governance arrangements were not effective.
  - There were weaknesses in financial control and reporting, and risk management was inadequate.
  - The findings of independent assurance were not always acted on.
- There were insufficient specialist skills and experience in-house to deliver complex ICT programmes. As a result, the bodies failed to appreciate the complexity of the programmes and overly relied on the suppliers. The Scottish Government provided limited support.

The quality of business cases and options appraisals varied

8. A business case is a key programme document which helps inform investment decisions and business developments. Normally, a business case should:

- establish the objectives for the proposed programme
- identify different options for delivering these objectives together with a cost/benefit analysis of each option
- set out the planned benefits from the programme and how they will be measured.

9. The business case therefore establishes from the outset the overall direction, impact and value for money of the programme. It should also be referred to throughout the programme's delivery to determine whether initial assessments are still valid and planned benefits are being realised.

10. Each of the three bodies agreed a business case for its overall programme which reflected the organisation's strategy and vision, and how the ICT development would address a business need. These business cases, however, were of varying quality and detail.

11. The business case for the PVGs programme was developed by the Scottish Government to support Disclosure Scotland's future role in administering the new registration system for people working with children and vulnerable adults. The business case focused on the rationale for the new legislation and contained sufficient detail and quality in order to do this. The project to develop a new ICT system was just one part of the overall programme, but was integral to its successful delivery.

12. In the case of COPFS, however, key decisions about starting the programme were made before the business case had been fully developed. The business case lacked detail and significant sections were incomplete. For example, the section on whole-life costs was left blank. As such, the business case did not fulfil its key purpose of assessing the value for money of the preferred option.

Benefits to be gained from the programmes were not clearly defined

13. Each business case had a section referring to the benefits to be realised from its respective programme. However, at RoS and COPFS benefits were not clearly defined, and it was therefore difficult to measure and monitor the extent to which they were being realised. In particular, RoS and COPFS expected the ICT programmes to bring about significant changes to the way they worked. But the business cases did not fully recognise the importance of business change within the programme, nor assign responsibility for implementing business change. For the PVGs programme, the identified benefits related to the implementation of the PVGs legislation as a whole, without focusing on the specific benefits that the new ICT system could bring.

Options appraisals were not as thorough in those organisations which did not undertake a competitive procurement exercise

14. RoS developed an outline business case setting out a wide range of options and subjecting them to scoring and evaluation before developing a full business case for the preferred option. RoS then undertook a competitive procurement process to appoint a supplier to deliver the preferred option.

15. Both COPFS and the PVGs programme team decided to utilise existing contracts with current suppliers to include the new ICT developments before business cases were developed and while only outline requirements for the new systems were known. Both business cases, therefore, only sought to examine options relating to the scale and scope of the ICT programmes, rather than who was going to deliver them.

16. For the PVGs programme, the options concentrated on whether the new services required under the PVGs legislation could continue to be delivered through existing joint working arrangements involving the private sector, or whether new arrangements were required.[5] They did not therefore focus on who was going to develop the ICT system to support service delivery. At COPFS, independent technical reports prepared in November 2009 (three

5 Under these joint working arrangements, BT is responsible for some parts of the disclosure process including data entry and payment.

months after the business case was approved) highlighted that the option of using a packaged solution did not appear to have been fully addressed.

All three organisations sought third-party advice at the start of the contract

17. Both the PVGs programme team and COPFS sought advice from Scottish Government procurement colleagues on whether they could use their existing contracts for the new ICT development rather than starting a competitive procurement process. The Scottish Government supported the decision to use existing suppliers. However, neither organisation sought suitable advice on the range and availability of options, with independent technical experts brought in to advise on systems design only when development was already under way.

18. In 2004, RoS intended to enter into a partnership-style relationship with the supplier to enable them to work together to deliver a programme of change. RoS also commissioned independent advice on the contract terms. The advice highlighted that the draft contract was based on output and transactional-based measures and the core objective of business enhancement was not built in. The advice also raised concerns that RoS lacked a commercially orientated culture. However, senior management did not change the fundamental structure and design of the contract in response to the consultants' advice.

Intended users of the ICT were not sufficiently involved in the design of the programmes

19. The earlier involvement of users in the PVGs programme may have allowed the complexities of the processes to be understood at an earlier stage, and led to a better understanding of the operational requirements of the systems.

20. Scottish Government staff formed the PVGs programme management and implementation team because, at the time the legislation was being introduced, Disclosure Scotland did not exist as a separate entity. Programme management was therefore separate from those staff who would use the ICT system to check and issue disclosure certificates. While these staff provided some support to the programme team, this was in addition to their normal roles and their lack of detailed involvement contributed to some operational requirements not being incorporated into the original design of the system.

There were significant weaknesses in the management of the programmes

21. All of the bodies established frameworks for managing the programmes following the principles of PRINCE2 and Managing Successful Projects, both of which are good practice frameworks recognised by the Scottish Government and widely used in the public sector. These frameworks are intended to provide principles, governance structures and programme lifecycles to help programmes and projects achieve successful outcomes.

22. Our consideration of how each public body managed its programme focused on:

- the extent to which clear governance structures were in place to manage and monitor programme delivery
- how well the public bodies controlled the programmes' costs and reported progress
- risk management arrangements
- action taken in response to assurance reports.

Governance arrangements were not effective

23. In any complex programme or project it is important to establish clear governance arrangements setting out the roles and responsibilities of key individuals, and reporting lines for programme monitoring information and the timely referral of significant issues to governance boards. As part of this, there is a clear expectation that programme managers should provide clear, timely and relevant reports on programmes' costs and progress to governance boards, and governance boards should be adamant in seeking this information if it is not routinely made available.

24. Typical governance arrangements might include:

- a programme board with overall responsibility for scrutinising and challenging the programme or project's progress and risk management arrangements
- a senior responsible owner (SRO) charged with ensuring the programme or project meets its objectives and delivers the planned benefits
- a programme manager with responsibility for day-to-day management of the programme or project.

25. Each of the bodies agreed formal governance arrangements, which set out reporting lines and roles and responsibilities. However, difficulties were experienced in the way these were implemented.

26. COPFS's Gateway Review report in December 2010 noted that, while there was a structured framework in place for the programme as a whole, lack of detailed reporting on the time, cost and quality of projects meant that the governance board lacked the necessary information to support decision-making. It also noted that governance arrangements at an overall programme level were clear, with a programme manager reporting to the programme board, but arrangements were less detailed at individual project level.

27. The PVGs programme also had a programme board to oversee delivery. However, while Disclosure Scotland was represented on the programme board and had ultimate accountability for delivering the requirements of the legislation once the ICT system was operational, it did not directly manage the development programme. Disclosure Scotland's 'lessons learned' exercise noted that these arrangements created conflict between Disclosure Scotland's assessment of risk, and how the programme board viewed things based on assurances it had been given by the supplier. The supplier tended to view the Scottish Government as the client because this was the organisation to which it was responsible under the contract. However, the Scottish Government and Disclosure Scotland gave different views to the supplier on priorities. This led to confusion and added to the difficulties in resolving issues. The 'lessons learned' review considered that a phased transfer of responsibility to Disclosure Scotland for delivering the PVGs programme could have been incorporated into the programme plan.

28. In line with the intended partnership-style relationship, RoS established a Partnership and Change Group overseen by a Partnership Board. Such a board would be expected to have a high-level role with strategic oversight, and be used to deal with significant issues that other processes could not resolve. However, a subsequent post-project review highlighted that the board became a forum for discussion at a very detailed level. Processes put in place to refer significant issues to the Board for consideration were not adhered to by either RoS programme managers or the supplier, with the supplier often taking issues straight to RoS senior management.

There were weaknesses in financial control and progress reporting

29. The provision of appropriate information to report on progress and highlight issues to senior managers on a regular basis is a key component of any programme management framework. In both RoS and COPFS, however, financial control was poor and information on costs and progress was not always sufficient to support decision-making.

30. RoS's internal audit reports in October 2009 and September 2010, highlighted that individual projects lacked detailed costs, benefits and milestones. This contributed to a culture of missed deadlines with project staff no longer feeling responsible for cost and time overruns. Lack of delegated budgeting meant that programme managers did not have responsibility for the programme budget. Programme changes were dealt with in isolation, with individual requests having their own business case which were approved without consideration of the wider programme or the original business case. The internal audit report in September 2010 highlighted that since December 2004, RoS had agreed over 400 change requests at a total additional cost of £21.7 million.

31. Work performed jointly by RoS and its external and internal auditors in early 2011 has highlighted that while the Partnership Board and RoS Board were provided with some oversight information regarding the costs to date of individual projects, reports did not detail that underspends were due to the programme as a whole being behind schedule and that an overspend was actually forecast. No progress updates on the programme as a whole were provided to the RoS Board.

32. COPFS's internal audit report in December 2011 indicated that the Programme Board was provided with verbal updates on key areas including finances and risk instead of formal papers with detailed information. The Gateway Review in December 2010 noted that progress reporting was inadequate since detailed costs, benefits and milestones had not been allocated to individual projects. This report also highlighted that programme management did not keep a check on the increasing complexity of requirements by measuring them against an initial baseline. In addition, programme management did not routinely inform senior management of the detailed financial aspects of the ICT contract.

33. Overall, this prevented senior management from having a full understanding of programme progress and potential issues, and the budgetary impact of any changes to requirements which were being discussed with the supplier. It also prevented COPFS from identifying in a more timely manner the increased costs and lack of affordability of the case management system which ultimately led to its cancellation.

Risk management was inadequate

34. COPFS's internal audit report, prepared in December 2011, after Phoenix had been cancelled, identified that the definition of risks was poor and identified risks were not managed properly. One key risk – an inability to fund the programme given COPFS's budget reductions – did not appear in the risk log. The RoS business case included the assumption that some risks, including those relating to the configuration of technology and being able to accommodate increasing customer volumes, would transfer to the supplier. The current senior management at RoS considers that in reality, little risk actually transferred, partly because the intended partnership-style relationship failed to evolve. Apart from the differences between the programme board's and Disclosure Scotland's assessment of risk outlined in paragraph 27, no other significant issues regarding the management of risk arose with the PVGs programme.

The findings of independent assurance reports were not always acted on

35. All three bodies commissioned various independent Gateway Reviews from the Scottish Government's Programme and Project Management Centre of Expertise (CoE). Gateway Reviews are short, focused exercises which occur at key decision points and are intended to provide assurance on the delivery of major projects. They are widely used across the UK public sector, having originally been developed by the Office of Government Commerce. A key requirement of Gateway Reviews is that they are conducted by a team of experienced practitioners, who are independent of the programme or project team. The Scottish Government established the CoE in 2003 to promote best practice in programme and project management across central government and to lead the Gateway Review process.

36. There are three main types of Gateway Review with the intention that public bodies are able to select the most appropriate type of review depending on the needs of the project or programme (Exhibit 2).

37. The three bodies each undertook a different type of Gateway Review process:

- COPFS used the Gateway Review healthcheck as Phoenix was considered to be a relatively small programme. Also, due to a lack of competitive procurement, it did not fit comfortably into the standard review series.
- The PVGs programme team commissioned two strategic assessments (Gate 0) of the programme as a whole. Disclosure Scotland also commissioned a further Gate 0 review once the programme had gone live, which focused on the development of a recovery plan due to the problems which had been encountered.

Exhibit 2

Key features of a Gateway Review

There are three main types of Gateway Review.

Type of Gateway Review	Key features
Gate 0	**Strategic assessment** This is a programme level review and investigates the direction and planned outcomes of the programme together with the progress of its constituent projects. It can be repeated throughout the life of the programme as required.
Series of Gateway Reviews (1 – 5)	This series of Gateway Reviews follows the lifecycle of a typical project and each review provides assurance at a key stage. A project would usually follow the stages in order, but can skip or repeat stages as required. **Gate 1: Business justification** Focuses on project's business justification prior to the key decision on approval for development proposal. **Gate 2: Delivery strategy** Investigates outline business case and delivery strategy before procurement process initiated. **Gate 3: Investment decision** Investigates the full business case and governance arrangements for the investment decision. **Gate 4: Readiness for service** Focuses on the readiness of the organisation to go live with necessary business changes, and the arrangements for management of the operational services. **Gate 5: Operations review and benefits realisation** Confirms that the desired benefits are being achieved and the business changes are operating smoothly.
Healthcheck	Uses the same principles and processes as Gateway Reviews but can have more flexibility regarding remit and scope. Generally used if a programme or project does not fit with the standard Gateway Review stages, or if the programme/project risk level does not warrant a full Gateway but there would still be value in some form of project review.

Source: Audit Scotland summary of Scottish Government Gateway Review guidance

- RoS initially undertook a series of Gateway Reviews (Gates 1 – 4) in accordance with the guidance.

38. COPFS had a total of three healthchecks on the programme with later reviews highlighting that recommendations from previous reviews had not been implemented, and that timely implementation may have enabled earlier identification of the issues which ultimately led to the termination of the programme.

39. Both RoS and the PVGs programme team received positive Gateway Review results at the start of the programmes, reflecting the position that key programme documentation was of a good quality and that appropriate management processes were being developed. However, concern was expressed in later 'lessons learned' reviews that this may have encouraged the two organisations to become focused more on record keeping at the expense of actively managing the ICT programmes. It is important that public bodies regard Gateway Reviews only as one part of a wider series of assurance on the programme. Their findings are based on snapshots of a period in time, and ongoing management is therefore necessary.

40. Disclosure Scotland's subsequent 'lessons learned' review also highlighted that due to the high risk associated with the individual ICT project within the PVGs programme, it would have benefited from its own Gateway Review at a project level.

41. RoS had a six year gap between the Gate 4 (readiness for service) review and the subsequent Gate 5 (operations reviews and benefits realisation) review due to the then SRO postponing it, without informing the accountable officer. This meant that the opportunity to address emerging difficulties with the overall transformation programme was missed. On RoS's recommendation, the Scottish Government has since made it a requirement for the accountable officer to be informed of any delays in Gateway Reviews. The Scottish Government has also established processes by which any issues with delays can be dealt with by its Director of Procurement and Commercial who has responsibility for Gateway Reviews.

42. The three bodies also subjected their programmes to other forms of independent assurance, including technical assurance on ICT system design and architecture, value-for-money benchmarking on prices, commercial assurance on the contract and internal audit reviews. The three bodies all used external consultants and independent suppliers to perform the commercial and technical assurance role.

43. The results of these assurance reviews did not, however, always influence decision-making. For example, early reports from an independent consultancy on the proposed RoS ICT contract made reference to potential problems that could arise from a clash of cultures, the contract not reflecting RoS's partnership vision and the lack of scope for RoS to develop ICT outside the contract. From the evidence available to us, however, it appears that the consultant's report had limited impact on senior management decision-making, and all of these factors subsequently emerged as problems.

44. Similarly, the PVGs programme team used a consultancy firm in a technical assurance role. Its reports outlined potential issues with lack of testing and timings, but these results did not affect the overall decision-making process. Appropriate testing might have identified earlier some of the problems experienced by Disclosure Scotland with the system not performing as expected.

There were insufficient in-house skills and experience

45. Each of the programmes was complex and of a size which was beyond the previous management experience of the organisations:

- For some programme team members in each of the organisations their role was an add-on to their ongoing business responsibilities. This led to conflicting time pressures and the inability of key people to engage fully with the programme.

- None of the programme-level SROs had previous experience of the role on programmes of this complexity, and the SRO responsibility was transferred between individuals during the development and implementation of each programme.

- Members of programme boards also lacked appropriate specialist ICT expertise.

There was a failure to appreciate the complexity of the programmes

46. The number of individual projects within the programmes and the interdependencies between the projects added to the overall complexity and need for careful programme planning. However, while many of the key programme team managers had training on programme management, few had practical experience of managing complex programmes. For example, the PVGs programme team had no experience of managing suppliers in a significant ICT development.

47. At RoS, an external post-project review indicated that interdependencies between projects were recognised but were not adequately managed. When senior management decided to change the order of delivery of two key projects, this meant they did so without fully understanding the associated impact and risks. RoS has subsequently recognised this decision as having a significant impact on the timing and quality of the delivery of the programme, and the relationship with the ICT supplier as a whole.

48. The PVGs programme for Disclosure Scotland had the added complexity of being linked with a legislative timetable, with a set implementation date. This date constrained the consideration of options for the development of the ICT system, as only a limited time was available for the construction phase. Disclosure Scotland's subsequent 'lessons learned' exercise identified that the interdependencies between the ICT development and legislative timetable exacerbated the problems experienced. It now considers that plans should have included a contingency to allow a trial run of the ICT system prior to full-scale implementation.

There was an over-reliance on the suppliers

49. In recent years, there has been growing attention paid to the development of Intelligent Client functions due to the specific challenges associated with managing complex ICT projects. The main attributes of this include having organisational capacity in technical, commercial and programme management skills; appropriate governance and controls in place; skills in scenario planning and options appraisal; an understanding of how proposed solutions can meet the demands of the business; and arrangements to share learning and experiences across and outside the organisation.

50. Appropriate ICT and commercial skills were not always present or retained by the public bodies involved in our audit. For example, COPFS did not have experience of the methods used by the supplier to develop the ICT. At RoS, the terms of the SPA meant that the supplier was also expected to provide the Intelligent Client role. This contributed to RoS not having the key ICT skills to be able to manage the programme. The consequence of this was that an Intelligent Client function was absent, and it was more difficult for the bodies to challenge the suppliers.

51. The PVGs programme team appointed consultants to provide the Intelligent Client role because it recognised that the relevant skills within the team were lacking. The consultants were not expected to provide ongoing support to the team. The overall consequence was an over-reliance on suppliers to inform key decisions affecting the design and implementation of the necessary technology.

52. A lack of skills and experience also meant that the public bodies did not always understand the implications of findings from independent assurance. For example, despite the issue being raised through independent technical assurance reports, inadequate technical knowledge contributed to the PVGs programme team not fully understanding the high levels of risk associated with systems not being tested properly before implementation.

The Scottish Government provided limited support

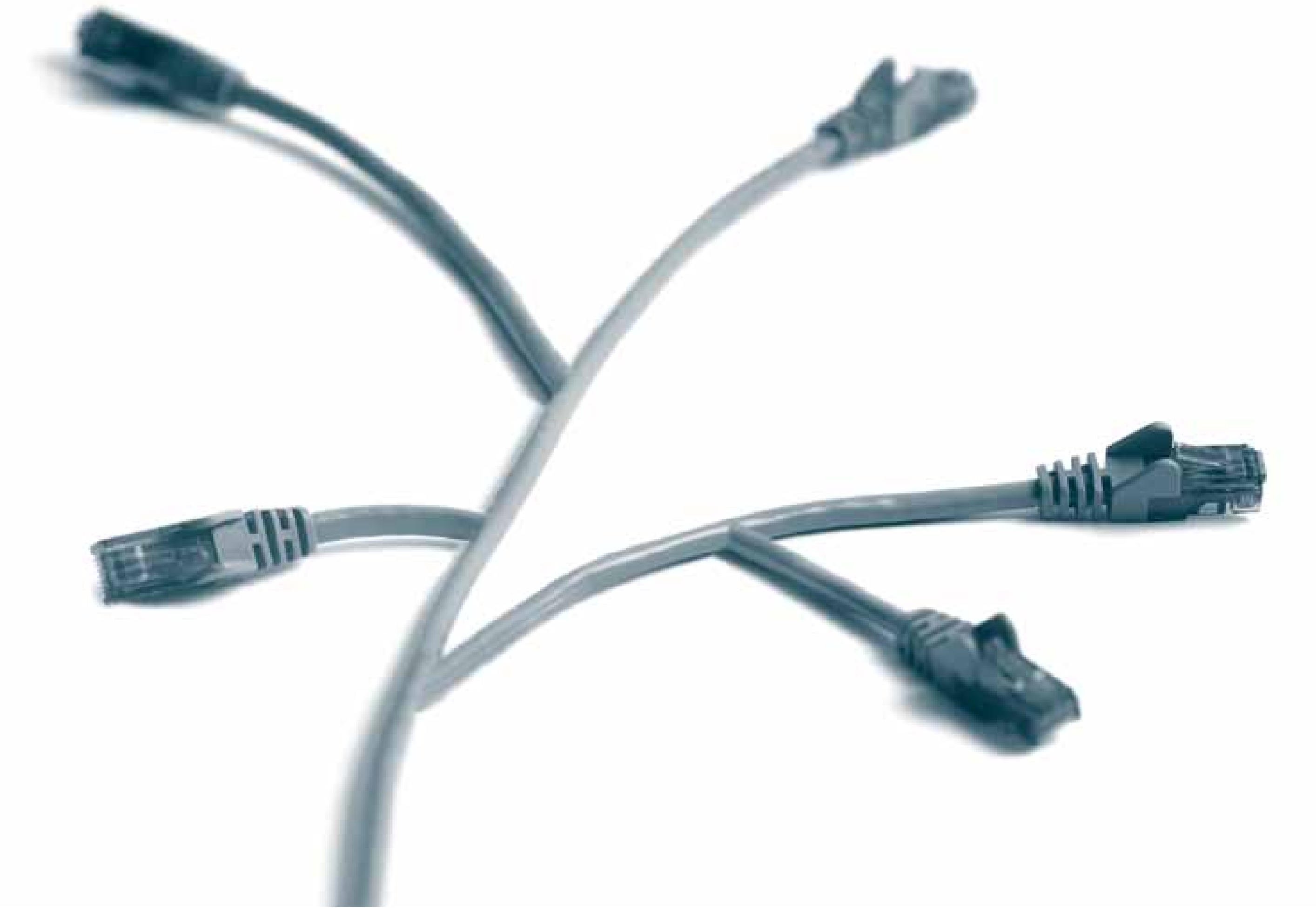
53. The Scottish Government is not responsible for providing advice on all ICT programmes in central government bodies. However, smaller central government bodies may approach it to seek specialist expert advice which they may lack. The Scottish Government's ability to respond is often determined by the nature of the advice sought, its own workloads and priorities, and the timescale within which the advice is required.

54. Each of the bodies approached the Scottish Government for advice or support with aspects of their programme. For example, the Scottish Government procurement team provided advice to COPFS on its proposed ICT contract extension. COPFS also approached the CoE for advice about its programme governance arrangements. However, while the role of the CoE is to provide advice and direction in relation to good practice, the Scottish Government considers it is for each programme to consider how that applies in their own circumstances.

55. The PVGs programme team also sought support on ICT and legal issues from the Scottish Government but was advised assistance could not be provided within the timescale requested, and private sector suppliers were approached instead. The Scottish Government procurement team did, however, provide advice on amending the existing ICT contract. The Scottish Government also made a senior member of staff with significant ICT experience available to Disclosure Scotland to provide internal technical assurance to the programme in response to the failures when the system went live.

56. RoS provided periodic briefings to the Scottish Government on issues surrounding the contract. The Scottish Government, however, did not become directly involved until late 2011, after the latest Gateway Review provided a 'red' assessment of the programme's delivery capability. At this point, the Scottish Government made available, at RoS's request, ICT programme management resources to carry out post-project reviews.

Part 2. Current developments



The public bodies have all responded to the problems.

Key messages

- Each of the three bodies has taken action in response to the problems:
  - COPFS has cancelled the programme and written off £2.3 million of money spent.
  - Disclosure Scotland is still working with the supplier to achieve full system functionality, and expects to deliver the ICT development within budget but 18 months late.
  - RoS has given a year's notice to terminate the contract and is discussing the compensation it will have to pay. It has also written off £6.7 million after cancelling two projects within the programme.
- All of the public bodies consider that some benefits have resulted, although none can clearly quantify them.
- There are opportunities to increase the oversight of ICT programmes through the strategies currently being developed by the Scottish Government.

Each of the bodies has taken action in response to the problems

COPFS has cancelled its new case management system

57. COPFS terminated its programme in November 2010, largely due to capital funding reductions and the increasing complexity of requirements leading to higher costs. By that stage, COPFS had spent £2.3 million on the programme which has subsequently been written off. COPFS is now concentrating on stabilising and upgrading its current system to maintain services.

Disclosure Scotland is continuing work to improve system functionality

58. The PVGs programme has spent £19 million to date on the ICT system and Disclosure Scotland is expecting to complete the ICT development within the original contract price of £29 million. Disclosure Scotland's chief executive (who is also the new SRO for the programme) is committed to ensuring that the supplier continues to take sufficient action to recover the programme, and that appropriate senior personnel are kept engaged with the programme. The supplier is currently delivering at its own cost a recovery plan designed to implement full system functionality as originally specified. The current timetable is for the supplier to fix the majority of defects and deliver the core requirements by autumn 2012, some 18 months later than originally planned.

59. The supplier has paid Disclosure Scotland for the manual workarounds it has had to implement. As at February 2012, Disclosure Scotland had received £1.9 million in compensation for the additional staff and other costs it has incurred. A scheduled payment which Disclosure Scotland was due to make to the supplier when the system went live was withheld when the problems emerged. The payment schedule was subsequently re-negotiated with the supplier and the first phased payment of this was made in June 2012 against specific delivery requirements.

RoS has given a year's notice to terminate its ICT contract

60. In April 2012, RoS gave a year's notice to terminate the strategic partnership, therefore ending the contract 20 months earlier than agreed. The contract provides for RoS to pay compensation to the supplier on early exit. It is continuing to negotiate how much it will pay and the timing of an exit plan. As at the end of March 2012, RoS had spent £112 million on the contract, of which £6.7 million has had to be written off due to the cancellation of two ICT projects within the programme (e-Settle and a content management system).

61. RoS originally estimated the ten-year contract would involve £66 million of expenditure at 2004 prices (equivalent to £78 million at current prices). While RoS always expected this would increase because of further ICT developments being identified during the life of the partnership agreement and inflation, the £112 million spent to the end of March 2012 is £34 million higher in 2012 prices than the original estimate. RoS attributes the overspend to factors such as programme changes which emerged after the original contract was agreed (£20 million), additional service changes as a result of these contract changes (£5.4 million), and the added cost of running and maintaining existing systems as the new developments were delayed (£9.2 million).

62. Termination of the SPA means that RoS has to build an in-house ICT capability to be able to manage future ICT functions and requirements, including a new responsibility to receive and administer tax returns for the planned Land and Buildings Transaction Tax.[6] The current Keeper of the Registers of Scotland and her senior management team have also taken steps to improve programme management by introducing delegated budgeting, more rigorous programme reporting, and a revised programme governance structure. While RoS is developing plans to bring in additional specialist support where necessary, any lack of in-house ICT skills and experience means that it will need to manage closely a range of risks associated with the transfer of operations from BT.

6 The Scotland Act 2012 provides Scottish ministers with powers to introduce a tax on transactions involving interests in land.

Despite the problems, each body considers some benefits have resulted

63. The evaluation of benefits realised is critical to an assessment of value for money or justification for an investment decision. It is also vital that any significant programme changes are reflected in revised benefit calculations and that the achievement of actual benefits is compared with accurate expectations. However, as previously stated, the public bodies, at the start of each programme, did not always adequately define what benefits they planned to achieve. They also did not routinely monitor or amend the planned benefits during the life of the programmes as changes occurred.

64. While none of the public bodies can clearly quantify the benefits achieved by the ICT programmes, each considers that some benefits have resulted:

- COPFS management has used the work carried out to map existing processes to introduce more streamlined procedures and ways of working.
- Disclosure Scotland considers that the new ICT system is now enabling it to comply with the requirements of the Protecting Vulnerable Groups legislation and to meet its targets for providing disclosure certificates. Legacy systems are, however, still being used for other types of disclosures, pending scheduled recovery work and testing.
- RoS considers that, while there were difficulties with the large ICT development projects, the day-to-day ICT service provided over eight years has been of an acceptable standard.

Exhibit 3

Summary of key points from the organisations' 'lessons learned' exercises

The 'lessons learned' reviews highlighted some common issues in each of the three organisations.

Skills and experience

- Staff should have adequate training and experience for programme roles.
- Need to provide adequate specialist skills to the role of Intelligent Client, so as to support an effective challenge function.

Governance

- Contract type was not appropriate to the organisation and was too complex and wide in scope.
- Lapses in good governance, including key governance groups deviating from terms of reference and a lack of oversight of programme-wide issues.
- Need to ensure effective escalation routes within the supplier team and wider supplier organisation.
- Clarity of roles and responsibilities for partners required.
- Costs and the responsibility to monitor them should be delegated to individual projects.
- Attention must be paid to stakeholder relationships both within the programme and externally.

Business cases

- Investment appraisals were not adequately detailed or documented.
- The business case process was not rigorous enough and the processes to support benefits realisation were weak.
- The development and implementation of programmes should be broken into manageable pieces.

Note: While the 'lessons learned' reviews highlighted some common issues around skills and experience, governance and the preparation of business cases, the detailed lessons and the extent to which they were applicable differed between each of the three organisations.
Source: Audit Scotland analysis of COPFS, Disclosure Scotland and RoS 'lessons learned' reviews

Individual reviews have taken place at each of the bodies to learn from their experiences

65. All three public bodies have conducted reviews since the problems with the ICT projects were identified to determine what lessons can be learned from their experiences. The 'lessons learned' reviews highlighted some common issues which we have reported on earlier in this report, including lack of relevant skills and experience, a need for better programme governance arrangements and insufficiently detailed business cases (Exhibit 3).

66. COPFS requested a final Gateway Review in December 2010 to assess its decision to end the programme and to recommend better practice for future programmes. This review highlighted similar issues as previous Gateway Reviews, such as the need for more detailed investment appraisals and a lack of key skills for this type of programme. COPFS currently has no plans to undertake a programme of similar complexity in the near future.

67. In November 2011, the chief executive of Disclosure Scotland commissioned a fellow chief executive of an executive agency to chair a round-table discussion of the issues encountered to date with the programme. This approach took account of the fact that the programme is not yet complete, but that lessons could be learned from the experience to date. Key findings from the discussion included the need to ensure that programme governance arrangements also involved effective governance of component projects; that there was clarity around the role, responsibilities and accountability of delivery partners; and that the development and implementation of complex ICT programmes was separated into manageable parts.

68. RoS also requested a Gateway Review in December 2010 to assess the operation of the strategic partnership and whether expected benefits were being delivered. This was followed by a subsequent review of the actions taken in January 2012. It also commissioned external consultants to help identify the key deficiencies in their Intelligent Client function. The Scottish Government, at the request of RoS, also undertook post-project reviews of the two ICT projects which were cancelled.

69. The results of these reviews have led RoS to conclude that the 'partnership' style approach was not an appropriate vehicle for it to achieve its objectives. The current management considers that the organisation would not have been able to contribute in the way originally envisaged and that a traditional client-supplier relationship would have been more suitable. In particular, RoS now considers that the form of the contract, which effectively tied it into the partnership for ten years without appropriate review points or break clauses, was a significant mistake.

70. While the individual bodies have implemented some of the lessons, these have not yet been shared with the wider public sector. The findings of each of the 'lessons learned' reviews have been provided to some parts of the Scottish Government. But there is currently no mechanism to ensure that the learning is passed to all parts of central government and the rest of the public sector, and that public bodies have access to the appropriate skilled resources to be able to implement the learning.

There are opportunities to improve the strategic oversight of ICT investment

71. The issues raised in this report indicate that the management of ICT programmes requires practical support and that significant attention needs to be paid to public sector capacity and capability in this area. The Scottish Government is currently developing strategies relating to ICT in the public sector. While it is not yet possible to evaluate these or their likely impact, there are opportunities for the Scottish Government to enhance its strategic oversight of ICT investment, including the management of individual ICT programmes.

72. In 2010, the Scottish Government commissioned a review from John McClelland CBE on the use and strategic management of ICT within the public sector, with a view to using ICT to drive greater multi-agency working, more effective sharing of services, and improve value for money.[7] In summary, the review found that ICT investment planning is fragmented between many individual public bodies and there are significant opportunities for improving the quality of services through better use of ICT.

73. The review recommended that the Scottish Government should implement a transformation programme for ICT investment, including a radical change in the relationship with the ICT industry and better engagement with suppliers through improved procurement. The review concluded that more effective investment in ICT could provide cumulative savings over five years of between £870 million and £1 billion to the public sector.

74. The Scottish Government published an action plan in response to the McClelland review in September 2011. The Scottish Government acknowledges that the findings of the McClelland review are consistent with the Christie Commission on the future delivery of public services, and there are connections to its own Digital Strategy.[8,9] It has therefore developed one strategy to align all the recommendations and actions, which it intends to publish as a consultation document later in 2012. As part of its developing ICT strategy, the Scottish Government has also recently introduced a new governance structure to oversee ICT investment, comprising a national board, supported by individual sector boards.

75. Within central government, the Scottish Government's existing Strategic Corporate Services Board (SCSB) will be responsible for implementing the recommendations of the McClelland review and creating and expanding opportunities for additional sharing of corporate services. While its revised remit has still to be finalised, it is likely to include:

- developing and implementing a sectoral ICT strategy which supports the overall public sector ICT strategy
- reviewing key ICT investment decisions by central government bodies to ensure alignment with the sectoral strategy and that planned benefits are realised

7 *McClelland review of ICT infrastructure in the public sector in Scotland*, John F McClelland CBE, June 2011.
8 *Report on the Future Delivery of Public Services*, Commission chaired by Dr Campbell Christie, June 2011.
9 *Scotland's Digital Future: A Strategy for Scotland*, Scottish Government, March 2011.

- reviewing progress made by public bodies to transform the delivery of services through more effective use of ICT.

76. The SCSB will work with the existing Information Systems Investment Board (ISIB) which will monitor the development, implementation and use of ICT across the Scottish Government. The revised remit of ISIB has also still to be finalised but is likely to include:

- approving and prioritising all new ICT development projects in order to ensure investments offer value for money and are appropriately targeted
- receiving and commenting on project evaluation reports and post-implementation reviews, ensuring that 'lessons learned' contribute to better processes and more efficient and effective delivery of intended benefits
- consulting on and advising the SCSB about relevant ICT investment decisions across the central government sector
- reporting to the SCSB on the extent to which intended benefits from central government ICT programmes have been delivered.

77. The ISIB has the potential to provide increased scrutiny and approval of ICT businesses cases within central government. There may, however, be scope to expand its role further to ensure that public bodies undertake an assessment of the skills necessary to deliver ICT programmes and that appropriate action is taken to respond to the findings of Gateway Reviews and other assurance process. The Scottish Government could look to the role of the Major Projects Authority, established by the Cabinet Office in England, as an example of government-level scrutiny of major ICT programmes. In particular, the development of Integrated Assurance and Approval Plans could help contribute to a more timely and coordinated assurance regime for projects (Case study 1).

78. While it is too early for us to evaluate these proposed governance arrangements, the Scottish Government needs to give careful consideration to the continued capability and capacity of its staff to deliver ICT programmes. In recent years, the number of staff in its Information Services and Information Systems Directorate has fallen from 300 to just over 200 and this is likely to have been replicated in other areas of central government. The savings in staff costs which have resulted need to be assessed against the risks of failing to deliver ICT programmes through individual central government bodies lacking appropriate skills.

Case study 1
Major Projects Authority

The UK Government established the Major Projects Authority (MPA) as part of the Cabinet Office in 2011, with the aim of significantly improving the delivery of major projects across central government to time and budget.

The MPA has since introduced a more systematic approach to managing major projects, including assessing viability before a project is initiated and undergoing regular, planned scrutiny to keep it on track. The MPA will:

- compile a government portfolio of major projects and report publicly on them once a year
- agree the assurance requirements for every project at its inception
- undertake assurance at key stages in projects' lifecycles to assess whether they will deliver on time, within budget and to the required level of quality
- intervene directly, where appropriate, in any failing major project
- work directly with departments to build capability in projects and programme management.

In particular, the MPA requires every major project to undertake a 'Starting Gate' review which will assess the deliverability of major policy and change initiatives before project delivery gets under way.

It will also require an Integrated Assurance and Approvals Plan (IAAP) to be developed for each major project setting out the planned assurance for the project throughout its life, which will be subjected to approval along with the business case. IAAPs will include, and build on, the Gateway Review process but may also contain, where relevant, other elements of assurance such as those relating to technical and quality issues and financial compliance. Overall, IAAPs are expected to contribute to a more timely and coordinated assurance regime for projects, resulting in less but more effective assurance.

The MPA has also developed protocols for consequential assurance for projects which are in difficulty or have poor delivery confidence.

Source: www.cabinetoffice.gov.uk/content/major-projects-authority

Appendix 1.

Key challenge and scrutiny questions for senior management and board members to ask of ICT contracts

	Key questions
Vision and direction	Is there a clear understanding of what is needed, that it is deliverable and how much it will cost?
	Have critical success factors been identified?
	Have the planned benefits been identified and clearly articulated in a document that can be used as a baseline for comparison throughout the project?
	Is there a focused assessment of alternative ways to achieve outcomes and of the flexibility of proposed solutions?
	Is the level of risk understood and is it aligned with the overall organisational risk appetite?
	Have clear objectives been set for the project and are they aligned to overall strategy?
	Is the business case based on a rigorous assessment of long-term value for money?
	Does senior management have appropriate ownership of the project and the projected outcomes?
	Are appropriate stakeholders engaged with the business case and are their views taken into account?
Planning	Has the body implemented an effective governance structure at both strategic and operational level? • Are roles and responsibilities clearly set out and understood? • Has an escalation process been agreed? • Is there an agreement to include independent review and challenge at appropriate points?
	Is there an understanding of the cultural implications of the contract and the potential need to adapt the current organisational culture depending on the contract nature (eg, partnership)? • Is the body realistic about its ability to manage change?
	Is there a robust approach to risk management? • Has the project been subject to risk assessment at a strategic level? • Is there a clear escalation process for risks, and is this used? • Is there an understanding of the level of risk taken on by the body and that transferred to the supplier?

	Key questions
Planning (continued)	Has the public body developed a detailed procurement plan? • Has the public body assessed whether the scope of the contract is achievable? • Have options for the procurement route been evaluated? • Is there a clear understanding of roles and responsibilities between suppliers and client? • Has business continuity and future exit and transition strategies been considered at a high level at this stage?
	Has the body completed a skills assessment to ensure its role as an Intelligent Client and mitigated any risks arising from this assessment? • Has it considered skills across different areas, including technical, commercial and programme management?
	Does the senior responsible officer (SRO) have the ability, responsibility and authority to ensure that business change and benefits are delivered?
	Is senior management adequately engaged with the supplier industry to understand supplier dynamics and supply side risk? • In particular, does the SRO have close contact with senior levels within the supplier organisation to ensure that problems are swiftly recognised and resolved and appropriate supplier resources are committed as required?
	Has the public body adequately planned and phased the implementation of the project output?
Execution	Has the public body followed an established project management framework? • Is there a detailed project plan covering the whole period? • Have critical dependencies been identified? • Have realistic timescales been set? • Have roles and responsibilities been clearly defined in the project/contract management team?
	Is there an appropriate process for capturing the total spend on the contract and measuring this against budget?
	Are there effective change control procedures in place? • Is there clear accountability for changes?
	Has adequate consideration been given to incentives for good supplier performance, and disincentive for poor performance (including withholding payments)?

Continued overleaf

	Key questions
Measuring and monitoring	Have robust performance management arrangements been developed? • Is there a sound record of responding to issues as they appear? • Is there evidence of appropriate escalation of issues? • Is the performance management system being used to effectively manage the project?
	Does the body have an effective system for measuring and tracking the realisation of anticipated benefits?
	Has the organisation balanced financial outcomes with quality and service improvement outcomes in their evaluation approach?
	Has the body a clear idea of the total cost of the project and the reasons for any variances against budget? • Is there appropriate information provided to management and the board on progress against budget and explanations for variances? • Does the body have an appropriate overview of the finances of the programme as a whole, not just at project level? • Are all changes assessed for value for money?
Business acceptance	Are there appropriate plans in place to manage the end of the contract, ie further tender process/ transfer of knowledge and skills?
	Has a formal project review been completed and 'lessons learned' disseminated?

Managing ICT contracts

An audit of three public sector programmes

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