

VERIFIED VERSION

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Inquiry into Effective Decision Making for the Successful Delivery of Significant Infrastructure Projects

Melbourne — 22 August 2012

Members

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Mr P. Davis

Ms J. Hennessy

Mr D. Morris

Mr D. O'Brien

Mr M. Pakula

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Witnesses

Mr J. Taylor, Deputy Ombudsman (sworn), and

Ms E. Barlow, Acting Principal Investigation Officer (affirmed), Victorian Ombudsman.

**Necessary corrections to be notified to
executive officer of committee**

The CHAIR — I welcome representatives from the Victorian Ombudsman's office, Mr John Taylor, deputy ombudsman, and Ms Erin Barlow, acting principal investigation officer. Members of Parliament, departmental officers, members of the public and the media are also welcome.

In accordance with the guidelines for public hearings, I remind members of the public gallery that they cannot participate in any way in the committee's proceedings. Only officers of the PAEC secretariat are to approach PAEC members. Officers of the Victorian Ombudsman's office, as requested by the deputy ombudsman, may approach the table during the hearing to provide information to witnesses. Written communication to witnesses can only be provided via officers of the PAEC secretariat.

Members of the media are also requested to observe the guidelines for filming or recording proceedings in the Legislative Council committee room, and no more than two TV cameras are allowed at any one time in the allocated spaces. May I remind the camera operators that they remain focused only on the person speaking, and that panning of the public gallery, committee members and witnesses is strictly prohibited. Please note that these proceedings are not being webcast.

All evidence taken by this committee is taken under the provisions of the Parliamentary Committees Act, attracts parliamentary privilege and is protected from judicial review. However, any comments made outside the precincts of the hearing are not protected by parliamentary privilege. All evidence given today is taken under oath or affirmation and is being recorded. Witnesses will be provided with proof versions of the transcript within 15 working days of this hearing, which are to be verified and returned to the committee secretariat within 2 working days of receipt.

Following a presentation from the deputy ombudsman if he so chooses to make one, the committee will ask questions relating to the inquiry. Generally the procedure followed will be that relating to questions in the Legislative Council. I remind everyone in the room to turn off their mobile phones.

I now call on the deputy ombudsman to make a brief opening comment if he chooses, and then we will take questions.

Mr TAYLOR — Thank you, Chair, and ladies and gentlemen. Firstly, thank you for the opportunity to come and present before this committee. You would all realise that the Ombudsman's office is a small office of fewer than 70 staff, and last year we dealt with 30 000 approaches, so we do not take on an own-motion investigation lightly. I hope to be able to respond to your questions today about our own-motion investigation into information and communication technology-enabled projects.

If you have looked at our report — and I know you are focusing on a couple of the topics in our report — you will see that we reviewed, in conjunction with the Auditor-General, 10 major information technology projects undertaken by government in recent years. We drew the line at 10; we could have made it 15, but we focused on the 10 projects that exceeded \$10 million and for which there were significant delays. Two of those, of course, are subjects of your review — that is, myki and HealthSMART. But equally I can talk about LINK and other major projects that have cost significant amounts of money and have failed or have not been implemented in a timely fashion.

Overall the 10 projects we looked at identified a \$1.4 billion loss to government, in that it was money spent but nothing was achieved. Most of the projects doubled in cost. HealthSMART went from \$323 million to requiring an additional \$243 million, and it is still not fully implemented. We identified what I would describe as scandalous waste — for example, the Victoria Police LINK project which was meant to replace LEAP. I should say, Mr Chairman, that in March 2005 the Ombudsman tabled in Parliament his report of the review of the LEAP system, which I was the author of. At the time we did that in conjunction with the newly created Office of Police Integrity. Here we are seven years later, and police are still using 20-year-old technology that is, I would think, on the verge of failing. We also looked at VicRoads and the RandL system, which has not made it past the design stage and for which \$52 million has been wasted.

So when we conducted the review it was important to the Ombudsman to determine who was responsible for this. The trouble is, as you will have already identified, that people move on. In the life of a complex, major project that has taken in many instances more than five years, those that have been responsible for poor decision making, poor planning and poor analysis of their requirements have gone. It seems to me that when you are looking at major technology people's eyes glaze over and they say, 'How much is this going to cost?'. Many of

the projects fail to have adequate management and fail to have adequate oversight by steering committees. There is also a level of responsibility on government agencies for this as well, including the Department of Treasury and Finance, and I am happy to respond to questions in relation to that.

But overall, for us it was important to identify how things could be better managed in the future. At one level it is easy to point out fault and blame, but that is not going to help government, and it is not going to help implement major projects that should improve efficiency in the public sector. So we have outlined in our report — and the majority of our recommendations have been accepted either wholly or in part by government — steps for the future to ensure as best we can contribute that these sorts of problems do not occur again, or are better managed. Thank you, Mr Chairman.

The CHAIR — Thank you for a very succinct opening comment, which I think fleshed out a lot of the issues that we are interested in. Just to refresh them, our interest in this inquiry is around the issues of accountability, transparency, relevant skills and capacity, and of course lessons learnt.

I am going to immediately pick up your observation that in projects that take some time people move on and therefore are not held to account for things that happen during the implementation phase. It was interesting hearing from the previous witnesses at Kamco, the myki facilitator, that in their organisation people move on pretty quickly, and it is to do with the inclination to be at the sharp end of implementing new technology in the IT space. That was interesting, but I suppose from your perspective your commentary will presumably be around government agencies and managers in those agencies who are the people who must be accountable. That seems to me to be at the heart of this, because we have already seen this with some projects, and the best example in these hearings to date was the Melbourne Markets, which have been through so many iterations that I would be surprised if anybody associated with the project on the first day was there now — apart from the stallholders down in Footscray.

We are talking about IT, particularly with respect to your observations, and myki and HealthSMART. I want to go to a broad view, which is: can you express an opinion on what causes planning time frames and budget time frames in effect to be overly ambitious? There may be a whole lot of reasons for this, but obviously there is the issue of the aspiration of a proponent in a government agency to get government funding approved. There is the inevitable optimum bias which may not take account of real-world project time lines. There are things like a lack of skill and expertise, which is fundamental to this inquiry, particularly in the scoping phase of a project, and of course potentially poor specifications at the front end. Are these valid issues for us to tease out, and are there other views you have about the problem with time lines particularly?

Mr TAYLOR — Firstly, I should introduce Ms Barlow, who is our principal investigation officer and was the author and manager of the project in relation to ICT. There are five themes in our report. I will touch on the first one, which I think is the most important in terms of any government function but particularly when it comes to expenditure of large amounts of public sector money. I should also add that we interview everyone involved. It does not really matter if they are a civilian contractor or a private tenderer. We pursued every line of inquiry, with one exception that I will come back to later.

But the key issue in all of this from our perspective is leadership, and in all of the projects we found that leadership was lacking. There was one exception, and that was HealthSMART. At a key point in the implementation of HealthSMART where things were floundering and there were tensions between the contractor and the department, the then secretary got on the telephone — and it is reflected in our report — and spoke to the principal vendor and said, ‘You need to get someone over here and start fixing this up’. That is the only example of clear leadership demonstrated in the 10 projects we looked at.

You have already touched on some of the other issues. There is a need for planning and there is a need for adequate funding. Too often agencies will put up a proposal to their minister without fleshing it out. It might even be in some instances — and I can think of one good example, RandL — two pages of a document proposing, ‘You either do it this way or do nothing and the whole system will fail’, which of course were not the only options available. So there needs to be adequate planning, and there needs to be planning before announcements are made by government that we have got this wonderful new something that is going to happen, because then there is a commitment that you have to go ahead and proceed, and the risks there are amplified.

There needs to be adequate probity in the projects. Too often we see conflicts of interest in the expenditure of government money. In some instances we see boards responsible for the expenditure having a conflict with involvement in tenderers, and we will be releasing a report in relation to that in the not too distant future.

Finally, one of the problems we have identified, which was glaringly obvious in one case, is a lack of project management experience. It is not good enough to have well-intentioned amateurs spending tens, and sometimes hundreds, of millions of dollars, and then wondering why it has failed. The report reflects on the LINK project, where an experienced senior police officer was given the responsibility but without the underlying skills and tools to do a very important job. To give credit to the current head of information technology at Victoria Police, he closed down the LINK project last year after four years and \$52 million with nothing to show for it. They are the five key points that we focus on in the report.

Ms BARLOW — I was just going to say that one of the things that the deputy ombudsman has spoken about is planning, which was a key theme in the investigation. One of the focuses needs to be on an evidence-based planning. If you look at a couple of the projects and some of the assumptions that were made in business cases, there was no evidence to support those. There seems to have been a lack of oversight or a lack of accountability for some of those assumptions that were made in business cases — for example, with the myki project that you are looking at there was the assumption that this project could be completed in two years, and yet the evidence was that no similar system had been implemented in less than five. So it is not only the public officers who are putting up these business plans with assumptions that are lacking evidence but also where is the oversight to test those sorts of assumptions?

The CHAIR — Can I just tease that issue out? Some of the evidence we would like to have is difficult to obtain. As example, you have just talked about myki and we have just had senior officers from Kamco giving evidence and making the point that they were not here at the beginning of the project, so we cannot ask the question specifically: where was the reality check around that issue — for example, the two-year rollout? In your investigation, did you find any sense that this was queried or was it just waved through?

Ms BARLOW — Not any evidence that we identified. One of the difficulties we had was that we were unable to access BERC submissions that were provided to BERC and so that made it difficult to see the advice that was provided to government. I guess in terms of the two-year delivery time frame, the TTA assumed that it could complete the project in two years and obviously Kamco undertook to complete the project in two years, but there does not seem to have been any testing of that. We would expect a business case to set out similar projects that have implemented in either other national jurisdictions or internationally that have been completed in that sort of time frame so that there is evidence to support those assumptions, because without that I guess that puts BERC in a very difficult position when you have public officers saying, ‘Yes, we can do this in two years’, and it seems to be largely based on hope and optimism rather than any evidence to support those assumptions.

The CHAIR — On that issue of a business case, it seems that that is really the starting point of all of these things. In some of your evidence in your report, including in relation to HealthSMART, there was not a business case, in effect. It was simply, ‘Well, here’s a sort of project brief’ on the one hand and on the other hand, ‘One option is unacceptable because doing nothing is simply an unacceptable option’, which meant that the action which was proposed really was not tested by any other comparisons and it was not tested as a business case. In terms of the starting point for any major project, presumably your investigations have identified that that is a fundamental weakness in all these projects — insufficient planning and development of a business case?

Ms BARLOW — Absolutely. There seems to be, I guess, a tendency in some projects or a keenness to try to get things moving and agencies are not spending enough time in planning. If they spent more time in planning, it is likely that a lot of the problems that we identified would have been avoided. So perhaps if you are looking at the myki project, for example, looking at similar jurisdictions or similar projects across the world is likely to have identified that this project would not be implemented in two years and is likely to take four to five, and those sorts of things could be taken into account. I think in terms of the 10 projects that we looked at, none of them was adequately planned and poor planning from the beginning has led to a lot of the problems that we identified.

Mr TAYLOR — I think there is an underlying issue here, too — that is, why develop something that is unique when there are off-the-shelf systems available elsewhere in Australia or in the world? Myki is a good example. Why develop something where you have a range of different products pulled together when there are very good systems available elsewhere? I think that was one of the underlying problems.

The same goes for LINK replacing LEAP and the same goes for RandL. There are good systems elsewhere in the world and it is a trap, I think, to say, ‘Oh, we need to develop our own and make it unique’. Where things go wrong is where systems are developed from the beginning and then changed over a period of time. With myki — how many changes? Hundreds.

Ms BARLOW — Three hundred and fifty.

Mr TAYLOR — Thanks. With every change, can you not see computer contractors rubbing their hands with glee? Every change costs money. Every change is a change to the contract, and some of them are significant.

Ms HENNESSY — Just before we move off this point around your capacity to access evidence in a sense, because that has been part of our great frustration throughout this inquiry. Particularly in terms of when people are looking forward and the gateway process and the use of the new high-value, high-risk unit, we have been unable to get any evidence as to the efficacy, what impact, what does that do to contest optimism bias — all of those sorts of issues. In terms of your job as the office of the Ombudsman, what sorts of powers would you say you actually need in order to make those assessments? You have referred to the cabinet-in-confidence issue. I am aware that the Auditor-General in fact is able to access cabinet-in-confidence material.

Mr TAYLOR — The Ombudsman’s Act is 40 years old next year, and in that time there have been significant changes in society and in the law and the way government is run. We have been an advocate for changing the act for some time, to streamline it. One of the clear factors that has come out of this investigation is the inability to access advice to ministers and therefore to cabinet. That is a restriction within the Ombudsman Act, section 19. We have recommended in this report and in earlier reports — and I will give you one very good example of where our hands are tied by not being able to see what advice Treasury and Finance gave to government. We have our suspicions and we have some indicators, as we have learnt by interviewing witnesses and looking at other documents, but the Ombudsman’s independence has been hampered by his inability to look at cabinet documents. Governments can consent to those documents being released, and I have in other cases gone to Premier and Cabinet and examined documents and invariably they were innocuous, anyway. So it seems to me that, in relation to myki, the objections to giving us access to the documents by both the former government and the current government really was a process issue rather than based on anything that might have been secret that they did not want us to know, but of course we cannot look at the documents, so we cannot comment.

When we were asked by the Minister for Water to consider reviewing the Shepparton food bowl modernisation project, again that was a case where we could not access the advice provided by the department to cabinet and again we recommended that section 19 be repealed. You are quite right; the Auditor-General has that power. There is really no other power we need. We have the power to compel any person, public servant or otherwise, who we believe can provide information, to appear and answer questions on oath. This is the only stumbling block that is put in the way of the Ombudsman’s independence — for no good reason.

The CHAIR — Just to understand one issue, which is in relation to, say, myki, for example, presumably other advice and briefs from the Department of Transport, background information that TTA has — all of that is accessible; it is just the issue that you are alluding to, any formal submission to cabinet which relates to a cabinet decision-making process?

Mr TAYLOR — It would be interesting with myki. You have identified and the report touches on optimism, an optimism bias — the sense that everything is going to be great. Ms Hennessy has pointed that out, too. If cabinet were advised, erroneously, that this system would work and it would cost only so much money, that is something you would want to test: you would want to hold the author of that document to account. We have not been able to establish that.

Mr O'BRIEN — Just to clarify — I do not think it was effectively that clear in the question; the question seemed to be directed at the current government — this is a request you would also like in relation to the previous government's documents?

Mr TAYLOR — Oh, absolutely.

Mr O'BRIEN — If you are specifically talking about all the business cases or the failure to plan for these 10 projects, they are effectively documents of the previous cabinet or the previous government that you would be seeking access to?

Mr TAYLOR — Correct, and in relation to myki the request was made of both the current and the former government.

Mr PAKULA — Mr Taylor, I just want to go through the DTF response in regards to your recommendations from the ICT report. We spent some time with Mr Hehir yesterday going through those areas of your recommendations with which the Department of Treasury and Finance disagreed. You touched on one of the aspects in your comments earlier in regard to the skill set within government. I will just go through them and invite your comments. You also made mention of the role of Treasury and Finance in your opening statement. I will go through them one by one. On the recommendation that agencies appoint a probity adviser and probity auditor in every ICT-enabled project over \$20 million, Treasury did not agree with that and primarily said that they did not think that that ought to be a universal requirement. They said basically that every project is different; some of \$20-million plus projects are complex, and some are fairly simple. I invite you to comment on Treasury's view on that recommendation.

Mr TAYLOR — You would understand that of course the Ombudsman may only recommend to government and to agencies. We do not have the power to compel, nor do we want that, because the great majority of our recommendations — in fact it is running in the high 90 per cent range at the moment — are accepted and implemented. In this particular case I do not think Treasury and Finance realise just how important their role is — that is, administering the government's funds. It is too easy to distance yourself from the decision making by saying, 'Well that's the department's problem' or 'That's the agency's problem. We have approved the funding'.

We think there should be a much closer relationship between the decision making and the expenditure. That is why we have made recommendations particularly in relation to DTF's involvement on steering committees, not just being a passenger but being actively involved. Your example of the distinction between a probity auditor and a probity adviser is an important one, particularly on major expenditure. Too often we find that there are conflicts of interest or blurred lines of accountability that an independent auditor or adviser would pick up, and of course the adviser comes first. The adviser is there to assist agencies, tenderers and contractors on the appropriateness of their decision making, the documentation and so forth. Then the auditor looks in hindsight and says, 'Yes, that is okay', and assesses against a set of standards. I see no reason not to have that distinction and that involvement in all major projects. One, it is a wise but small investment to protect the interests of government.

Mr PAKULA — I will not go through them all, because there was one recommendation in particular where Mr Hehir's response was incredibly detailed. I will not try to draw you out on that. That was the recommendation about the fund being held within government. Mr Hehir's evidence was basically that that relied on a misunderstanding of the way the accounts are organised within government.

I just want to focus on recommendations 40 and 41, where Treasury again have disagreed. On the recommendation with regard to DTF developing and maintaining a list of individuals working in government with ICT-based skills, to summarise DTF's response, it is that that is a matter for departments rather than DTF. Also there is the recommendation about the whole-of-government strategy to reduce the government's reliance on consultants and contractors. I would just like you to comment on your rationale behind that recommendation, whether that is about a general concern about the reliance on consultants and contractors, or whether it is a more specific concern about whether or not the question of headcount then effectively leads departments to have to rely on people external rather than skills they hold internally, and whether or not that ultimately compromises the ability of government to be an informed purchaser. I invite you to comment on Treasury's disagreement with that recommendation.

Mr TAYLOR — I think there is a real risk in outsourcing specific skills outside of government, in that, firstly, you lose that technical knowledge, and secondly, you end up paying above the normal for it. We all know what the definition of a consultant is — that is, ‘Someone who borrows your watch and tells you the time’. I think that is a practical risk in government — that if you outsource all the expertise, you end up paying through the nose for it. In a modern public sector you need to retain that expertise, and who better to manage that or oversight that in conjunction than the Department of Treasury and Finance and the State Services Authority? Up until now there has been very much a hands-off approach: if you want expertise, you go out to the marketplace and buy it.

Mr PAKULA — That remains Treasury’s view; their evidence is that that remains their view.

Mr O’BRIEN — In terms of that option. To be fair, and excuse me for verballing, they said it is good to have options in government. While I am there on that recommendation, the response to your recommendation is that this reliance on consultants has in part been implemented by this government, but in terms of the overall recommendation they said it is important to have the flexibility.

Mr TAYLOR — I agree with flexibility as an approach provided you have the in-house capacity to test it. If you are relying solely on outsourced providers, you lose the capacity to say whether or not what is proposed to you is realistic. Myki is a good example; the two-year time frame was unrealistic. No doubt that was proposed by contractors and consultants. If you retain an in-house capacity to manage your own business, you will get things done more efficiently. We found that with the Department of Human Services and the child protection system and their inefficient computer system. Again, relying on outsourced expertise to run your own business, I do not think that is a healthy way for government.

Mr PAKULA — Is that a general observation? We have heard other witnesses who have raised the same issue about lack of engineers within the public sector, or lack of project managers. Is what you identify an issue solely concerned with information technology, or is it a more general concern about the skill set within the public sector?

Mr TAYLOR — It is a more general concern, because we also touch on project managers and the need for skilled project managers. Even if you are outsourcing, you still need to manage that relationship. Again, LINK is a very clear example of well-intentioned but unskilled personnel having the responsibility for a multimillion-dollar project which failed. So, yes, I think there is a real risk in government, and we see that across the board. For the last three years the Ombudsman’s annual reports have talked about a lack of leadership and a lack of management. That goes right down to the practical level of implementing big projects.

The CHAIR — It is interesting that there are very clear sets of views on this question, and the committee’s challenge is to try to bring those views together and distil its own opinion. It is interesting that the evidence given to the committee has included the sort of DTF view, which the deputy chair has reflected.

Mr PAKULA — It is not Treasury; it is more general.

The CHAIR — Yes, probably. Also, earlier today we had evidence from Kamco about people who work in the IT sector in effect whose feet go to sleep if they are in one place too long, so they want to move on, and that would be true of people involved in project management as well. That is the whole nature of the business of projects; it attracts people who are about moving from one job to the next, as it were. The difficulty for this committee is to form a valid view as to how to invest in a Victorian government corporate intellectual infrastructure around managing, whether it is IT or hard infrastructure projects, and having a corpus of knowledge and expertise. I think your report underlines how critical it is in relation to IT particularly, notwithstanding the views of other witnesses.

Mr TAYLOR — Just to finish off on that, I think the risks outweigh the good things that would come out of it. On your comment about being told that IT consultants move on quickly, at the end of the day then, who is responsible? Who is responsible for implementing? Who is responsible for the problems? We think the government needs to have some capacity to test the market and to test expertise. As a small organisation we have our own in-house capacity because we want to be able to manage our own systems as best we can.

Mr MORRIS — If we can continue the theme of accountability, in particular I am interested in page 16 of the report under the heading ‘Who is accountable for the project?’. In paragraph 55 it talks about ultimate

accountability resting with the principal officer of the agency in charge. Then over the page you are talking about, not directly, not the same, but closely related, the governance arrangements, and particularly the skills or lack of on the myki board. I wondered how in that case the board of the TTA could have been held more accountable, what sorts of processes or standards could have been put in place that would provide evidence of that accountability and — interrelated, but a slightly wider view moving from the involvement of Treasury and so on — how, if Treasury becomes involved and has a stronger role, as has been suggested, that sits in terms of the accountability of the principal line agency, whether it be Department of Health or the Department of Transport, or whatever, and indeed how it sits with ministerial responsibility?

Ms BARLOW — The report indicates that one of the concerns that we had was, despite the failure of myki to meet delivery time frames, there was no accountability of the board. I guess there are a number of ways that they could have been accountable, but the main way that we saw accountability was that people moved on. We did not see that with the TTA board, despite the fact that that was the body that was responsible to the minister. We saw two chief executive officers of the TTA move on — I think one of them moved on to another position in the public sector — but how do you identify accountability? The main thing that we would look for is that people are held accountable if they move on. One of the issues we had with the TTA board initially was that it lacked the experience and the expertise to adequately challenge the CEO and his staff. People could move on, and you can replace those people with people who have the relevant expertise or bring that expertise in.

You also raised the issue with DTF. One of the Department of Treasury and Finance's key statements was that it is the relevant agency that is responsible for the project. We do not move away from that — we agree with that — but we do think DTF plays a key role in these projects and that it should be accountable for the advice that it provides to government for the role it plays in projects. One of our key concerns, particularly with myki, was that there was a DTF representative on the myki board, but there did not seem to be any accountability for that DTF representative. They were not providing information back to DTF. There was no written documentation about what their role was on the board, and we think that could be strengthened in order to hold DTF accountable for its role in these projects and the advice that it provides to government.

Mr TAYLOR — Mr Morris, may I just finish off on that? You touched very briefly in passing the Department of Transport, and the department has remained strangely silent in all of this. We gave the department secretary an opportunity to respond on our draft report in relation to myki, and he chose not to. Again, there are risks in agencies distancing themselves from the decision making, because the risks are then there is no accountability.

Mr MORRIS — My follow up was going to be — and that meshes nicely, Mr Taylor — if you were designing a structure from the ground up to run a transport ticketing project like myki, how would you put together a body to make sure that those lines of accountability were there?

Mr TAYLOR — First of all you need to establish in an major project — in any project at all; and I do not think it matters if you are spending \$1000 or \$100 million — what you are trying to achieve with this expenditure, and there needs to be a very clear idea of the direction. Then you need to test the marketplace and understand whether it is achievable. You do not go and buy a new Volvo if you can only afford an old VW, and that is very obvious. But in some of these projects there was very much an attitude, 'We will just spend until we get what we need without assessing, analysing and testing the marketplace'.

Then of course you pretty much follow what is in the report, which is a reflection of international and national standards for projects. It does not really matter if it is IT, engineering or a major road, there are very simple milestones. Then of course you build in the Gateway project, which the government introduced, but it really was not followed by anyone particularly well. You build that in and make sure that there are accountable steps or gateways in terms of milestones for expenditure, and you do not get the money unless you can achieve that.

Mr Pakula touched on Treasury. I know Treasury was not happy with the idea of funding being available for the life of a project, but if you get halfway through a project and the money dries up, then you have wasted the money that has been initially spent anyway, so there does need to be some quarantining of funds once government establishes that a project which is going to go more than perhaps the life of the Parliament needs to be set aside. I hope that answers your question.

Mr MORRIS — The only gap in the information I was seeking was the relationship with the department. You touched on DOT, but in terms of ministerial accountability too, how do you see that?

Mr TAYLOR — Clearly that is a principle of government that the minister is ultimately accountable. As I said earlier, in some ways how do we test that if we cannot see the briefing to the minister and therefore the briefing to cabinet? That is partly where the system breaks down from our perspective, but ultimately the minister is accountable. I should warn you — and I do not say this lightly — that we have had instances where ministers have been misled. He have a case at the moment that we will report on where a minister was given false and misleading information. Where does that put the minister in terms of accountability? It is difficult.

Mr SCOTT — I want to follow up the issue of accountability and the role of DTF, because we had extensive evidence yesterday from Mr Grant Hehir regarding the increased role of DTF that has been introduced in projects. Regardless of the merits or otherwise of the actions, what was apparent was that nearly all the information that related to those activities was going to be considered cabinet in confidence. It was certainly a concern to some members of the committee on reflection that therefore how would DTF, which has a fairly extensive role in the project, itself be subject to accountability processes. Obviously you have raised the issue about your own access to documents, but there is a more fundamental issue. How do you hold the department accountable for its important and probably worthwhile role in project delivery if that information is unavailable for verification by anyone?

Mr TAYLOR — Of course there is always the Auditor-General. When it comes to expenditure of public money, the Auditor-General has an important role to play. That is why we did our investigation in collaboration with the Auditor-General, but we chose to use Ombudsman powers for a very practical reason. We are the organisation with the experience of interviewing people and pursuing lines of inquiry. The Auditor-General's expertise is in following the money trail. If we had a situation where it was unclear what Treasury's role was and that there were issues surrounding cabinet documents at the present time our hands are tied, but we would consult with and, if necessary, seek the assistance of the Auditor-General.

Mr SCOTT — On a more broad principle, is it your view that such an extensive role by a department should not have its own reporting? To put it bluntly, there seems to be no means within government to test the efficacy, because it simply was cabinet material, so there is no accounting within the bureaucracy for the effectiveness, and that was an inflow of a different concern?

Mr TAYLOR — Yes, I think it is a genuine concern. I think every aspect of the public sector should be accountable, and accountable in a number of ways. The Ombudsman is a very obvious line of accountability. We investigate independently and, if necessary, report to Parliament.

Mr PAKULA — Just to pick up Ms Barlow's point, the Ombudsman's finding in regard to the TTA board was to an extent contested by Mr Carolan yesterday. His response was, 'The CEO is not the same person anymore, the chair is not the same person anymore, so I am not sure what the Ombudsman means'. That is my paraphrasing of his evidence. When you say, Ms Barlow, that the chair did not move on it, I assume you are talking about up to the point where Ms Fawkner took over.

Ms BARLOW — Yes, we are talking about the failure to meet the two-year delivery time frame.

Mr PAKULA — In that two-year period. I understand.

Mr ANGUS — I am just following on, Mr Taylor, in relation to the whole accountability issue. I am particularly interested in what you touched on before regarding the business cases and so on, and the obvious inadequacy of those in many circumstances. I suppose I am grappling with the responsibility there. Is it the proposer, the person who prepares it; is it the people who accept it; or is it the funder? Within that, is it a lack of skills, or is it negligence? I am just trying to come to grips with that whole mishmash, because I think, as you have correctly identified a number of times, it is well documented in this great report here and also today in some of your evidence, that if you have not got that right, it is hopeless. Could you comment on that?

Mr TAYLOR — I think in many respects there is a joint accountability, is there not? It is not just the department, the proposers or a senior officer who proposes a new initiative, but it is the person who is involved in the costing; it is the proposed tenderer. We look at the whole package. Again the purpose of our report was not to sheet home fault and blame so much but for lessons learnt. Some of the examples are obvious, where

insufficient thought was given, firstly, to the project and how it would be implemented. There was very much a flavour in some of them that ‘We just want a new one’; therefore we will need a bucket of money to implement this new initiative, and if we do not do that, the sky will fall in’.

RandL is a good example. The system that it is to replace is still working, and yet more than \$50 million has been spent with nothing to show for it. So I think there needs to be a joint responsibility by proposer, agency, Treasury and Finance and ultimately the minister to make sure these things work from beginning to end — and realistic expectations and realistic milestones. How do you test that? As I have said before, there are other systems around the world; Victoria is not unique in that regard. I think we are a very efficient state in terms of the way it is run, and we certainly do not seem to have some of the problems that other states have in terms of accountability. I can say that from an ombudsman’s perspective. Nevertheless, there are examples around the world; you test to see if this is going a fit. Do we have to invent a new one? The reality is that you do not.

Mr ANGUS — As you have just identified, it could be an attitudinal issue. In other words, we do want a shiny, new one rather than looking to use something else that is already in existence, for example.

Mr TAYLOR — Yes, I think there is always that risk with big projects.

Mr PAKULA — I just want to move on to HealthSMART. As the deputy ombudsman you have probably not had an opportunity to read all the other submissions, but I just want to take you to a point of difference between your report and the view expressed by Austin Health in regard to functionality. The reason I am asking you is because we have them coming in this afternoon, so I want to give them the opportunity to express a view about your view. They say in regard to HealthSMART:

AH agrees with the majority of the issues identified within the Ombudsman report. However, the majority of issues raised have been minor and we strongly disagree with the view expressed by the Ombudsman report that the system has a negative impact on patient safety.

Are you able to explain to the committee how an end user could have such a radically different view about that from the one your office would have?

Ms BARLOW — In terms of Austin Health’s view, I respect that view because we received a number of different views in terms of the functionality of the system. Some doctors and some people were quite happy with it, and others were not. In terms of the concerns that we have put forward in the report about functionality, they are largely the concerns that were identified by witnesses, and that is the evidence that they provided. It was not the view of the Ombudsman that the functionality of the system was inadequate. I think it is also important to note that the Eye and Ear Hospital, which was the only hospital to have fully evaluated their clinical application, did find functionality issues, and they are set out in the report as well. In terms of the functionality issues that are detailed in the report, we have set out the evidence that we received from health services, and the evidence does differ. We have put that forward and suggested that the secretary needs to consider them. That is at page 73 of the report.

Mr PAKULA — I am sorry if I have not got all the details, but does your report detail the conflicting views or only the views of those with a negative take on it?

Mr TAYLOR — I think you will find it is a balanced report. But again while there might be differing views by end users, the underlying issue was that this was another project where there was poor planning and significant overrun of costs. It has not yet been implemented entirely across the health service, in fact only partly, and while some end users may find that it is functionally efficient, we have yet to see the outcome across the whole of the health service. That is where the risks are to patients.

Mr PAKULA — Yes, but was Austin Health one of the organisations you interviewed?

Ms BARLOW — I believe that we did. The Secretary of the Department of Health disputed some of the functionality issues, and her response is set out in the report as well.

Mr O’BRIEN — Just in relation to some of the evidence that has been led to this committee in response to some of your report’s findings — two in relation to myki — I ask you to comment on paragraph 324 where you say:

In the initial evaluation of the six tenderers, only the successful bidder was unable to evidence a proven solution: all others nominated sites where their solutions were in place.

Kamco this morning partly disputed that or qualified that comment by saying that they had a consortium relationship with a company they identified as ACS, which had done ticketing. Could you explain to the committee the basis of your conclusion in paragraph 324 and how you would respond to the position of Kamco?

Ms BARLOW — I understand that in terms of the solution that was proposed by Kamco, Kamco was, as you say, a consortium and was using a number of different vendors to provide the solution. I guess what the conclusion relates to is that in terms of the others bidders for the project, they could demonstrate that they had a solution somewhere else that was working — a working system. I guess from what you are saying, Kamco is talking about the fact that they had a member of the consortium that had worked in ticketing or had a ticketing system. We were looking at a system. In terms of this system, this was a new system that had not been implemented anywhere in the world, and that was the evidence we received.

Mr O'BRIEN — There were also some references to a number of the subcontracting arrangements having to be entered post the tender, after the detailed requirements. Is that something that you looked at as well?

Ms BARLOW — No, it is not.

Mr O'BRIEN — Another matter that came up this morning was a comment you made in relation to both myki and HealthSMART at page 42, where you say:

Another aspect of vendor management that agencies have identified as problematic is in making sure that vendors retain adequately skilled staff on the projects. This can be particularly problematic when projects become drawn out or face budget constraints. HealthSMART, myki and ICMS experienced problems with the quality of project staff provided by overseas-based vendors.

Then it goes on to list details in relation to HealthSMART and myki. Is there any particular issue you have identified with overseas-based vendors in relation to the provision of ICT, particularly with project management and accountability back to the vendors? If there is, can you elaborate on that for us.

Ms BARLOW — As opposed to Australian vendors?

Mr O'BRIEN — Yes.

Ms BARLOW — I think most of the vendors we looked at in this investigation were international vendors, because we were looking at big ICT projects. The evidence that we received from the relevant agencies, the departments of health and transport and the ticketing authority was that some of the staff that were put onto the projects were not experienced enough or were not what was promised or there were not enough staff put onto the projects. But I am not in a position to make a comparison between international and Australian vendors.

The one thing I will note is that many people in the investigation expressed concerns about holding international vendors to account. For some international vendors it may be that Australia is just a small country down here and if a project fails here, then it is not going to have a major effect on them. That was a concern that was raised by some witnesses.

Mr O'BRIEN — Can you give us some specific examples that they have identified?

Ms BARLOW — No; they were just anecdotal concerns that were raised by witnesses in general.

Mr TAYLOR — I think HealthSMART, as I touched on earlier, is a good example reflected in the report, where only after the secretary — then secretary — approached the vendor and insisted on high-level expertise being put into the project did things start to happen.

Mr PAKULA — Can I just follow up on this; I wonder — let me wonder out loud — about what is the remedy or the solution to this issue of some individuals expressing concern about dealing with overseas-based vendors. I would suggest that in a whole range of projects, whether they be ICT, major construction projects or the like, if we were as a state to confine ourselves to locally based vendors, we would end up with significant competition problems, skill deficiencies and an inability to test the market properly. Does the Ombudsman's office suggest that there is any rational or realistic way that in a range of major government project procurements you can do it without engaging the global market?

Mr TAYLOR — I think what we have identified is there are risks in being involved with any vendor, regardless of whether they are Australian based or overseas based, unless you have adequate planning, preparation and contractual arrangements, and every one of these cases identified those risks. We make no judgements about the quality or otherwise of the expertise involved, except where it impacted in relation to the provision of services to Victoria.

Mr PAKULA — So you are not suggesting the Victorian government ought to avoid contracting with overseas-based providers?

Mr TAYLOR — No, but there is the proviso that we have already discussed: the importance of having some capacity within the public sector to manage big projects, to test the market and to have a good understanding of what you are buying.

Ms HENNESSY — Irrespective of where the provider is?

Mr TAYLOR — Yes, exactly.

Ms HENNESSY — It is kind of jurisdiction free.

Mr TAYLOR — Yes, absolutely.

The CHAIR — I just want to go back a little bit to, at the risk of labouring the issue, the business case. We touched on it, but we did not quite flesh out your view on whether or not there is actually a problem in terms of ability — or skill or expertise — in the public sector to develop business cases, or overwhelmingly it is just not given the importance it requires. There can be two issues here: one is that the rating for a business case is low, and therefore not much effort is put into it; or alternatively, or coincidentally, there are not sufficient skills within the agencies that are sponsoring a project to be able to put together an adequate business case, so it is simply not done. Do you have a view about that?

Ms BARLOW — I think in terms of the projects that we looked at we did identify that none of them were adequately planned, and that was largely due to a lack of effort, I guess, but also a sense that, ‘We need to get things moving. We need to hurry up. The government needs to see results. We need to start the project’.

The CHAIR — Do you mean there was a political imperative as opposed to a bureaucratic imperative?

Ms BARLOW — I guess in terms of the agency, as the deputy ombudsman spoke about, they wanted new systems, so they wanted these things to — they wanted to start moving. They wanted to get the project going. They want their staff to be able to see a project. So I guess it is not just purely from a political perspective. But in terms of the skill set that is available within government, one of the key issues with business case development relates to the LINK project. That business case was developed by contractors. One of the issues with the business case was that it was developed to fit within a funding decision that had already been made. So the decision had been made to fund the project for, I think it was, around \$50 million, so you had a few contractors come in and try to develop a business case to fit that.

The CHAIR — Work out how to spend \$50 million.

Ms BARLOW — That was obviously not the right way to — yes. One of the other issues relates to ultranet, which I know is not a project that you are looking at. But in terms of the planning for that project there was evidence provided through a gateway review that the project milestones were not achievable; the budget was too low. There were going to be delays; it was never going to be achieved in the time frame that they had set, and that evidence was there. But the department pursued that project with the business case it had and went forward to the minister with that, despite evidence proving that this was not going to happen, and those issues eventuated. There were a number of different issues, I think, with the planning of these projects.

The CHAIR — Thank you; that was useful.

Mr SCOTT — I doubt you have seen this submission. I would like to follow up regarding skills and the relationship between line agencies and DTF, because you have talked about a greater role for DTF. We had evidence provided to us in writing from the Department of Business and Innovation, and I will read a section of it. It is with regard to the increasing role for DTF in public-private partnerships. It talks about there being a level

of practical know-how and business exposure from the delivery of operating of a prospective — that may not be necessarily available in DTF.

This was in a different context, but you have really touched upon the need to be able to verify the efficacy of information that has been provided from both the department level and a central level. Do you think it would be useful to DTF to have a greater skill level in these areas in order to be able to verify the information that is coming in?

Mr TAYLOR — It was certainly one of our recommendations. I draw your attention to recommendation 7, that:

DTF further develop the capacity and capabilities of the commercial division and its specialist ICT group within the government services division. Capabilities should include project management, procurement and risk management. This would assist DTF in implementing ...

the Ombudsman's recommendation. DTF accepted that recommendation. So it will be interesting to see — and perhaps, Chair, I should have said that when the Ombudsman does a report to Parliament, we follow up, and in 12 months time we will report back to Parliament as to the implementation of the Ombudsman's recommendations. That is an accountability mechanism so that Parliament, and therefore the government and the public, are aware of whether or not: firstly, were the Ombudsman's recommendations achievable and were they implemented; and what were the outcomes? So we will be following up.

Mr MORRIS — I want to move to the issue of protecting the public interest and in particular to the recommendation around the government solicitor's office reviewing all the contracts and including standard provisions for things like IP but also penalty clauses. Obviously in the case of myki the time lines have been exceeded close to threefold by now but of course are subject to those 350-plus variations. Yesterday in discussing the desalination plant I asked DTF about penalty clauses in that contract. Essentially they said that there is a penalty in that until they finish the project and it starts producing, they do not get paid, so that impacts. But under further questioning they finally indicated that there were no penalty clauses in the contract beyond that. They indicated that they felt that was a sufficient penalty. Clearly they were of the view — without putting words in their mouths — that in that particular case the so-called penalties that had been built in were adequate, whereas in other cases that may not be. I am wondering how that view of the world squares with the suggestion that there should be standard clauses in terms of penalties and things.

Mr TAYLOR — We felt the Victorian Government Solicitor's Office had an important role to play in protecting the interests of government by ensuring that there was a consistent approach to contracts for major projects. You have mentioned myki; the report touches on just what was involved in the myki contract: 13 000 pages, 40 schedules, 4 exhibits involving more than 370 documents and over 3000 outcomes. That is the sort of situation that big projects create, and I think the Victorian government solicitor has warmly embraced our recommendations, has already run seminars for government agencies on managing major contracts and, as I understand it, has set up a small group that will specialise in assisting agencies to deal with big contracts. I think that was a very positive outcome.

Mr MORRIS — So in your view a set of standard clauses is — —

Mr TAYLOR — Absolutely. It certainly should be based on the government's view as to how money should be spent and protected.

Mr MORRIS — A final point on that: if the government solicitor has set up shop to deal with that, are you aware of the attitude of government to that and whether in fact the concept of every contract going through that process is likely to be embraced?

Mr TAYLOR — No, we do not know the government's view on that. What we can say is that the government solicitor accepted the recommendation. We have certainly been encouraging agencies to avail themselves of that opportunity. Quite a lot of money is spent by government agencies on outsourced legal advice when there is a very experienced and competent organisation that could assist.

Mr PAKULA — I just had a follow-up on that. Are you aware of the evidence we have had from, particularly, Mr Ronaldson, the Secretary of the Department of Business and Innovation, where he touches on this question about reliance on contracts? His evidence, fundamentally, is that one can overestimate the ability

of the contract to provide remedy in a real-world environment where there are multiple objectives, one of which is the enforcement of the contract and another is the delivery of the project and the potential consequences on the project of an overreliance on the strict terms of the contract. Would the Ombudsman's office like to make a comment about the real-world efficacy of relying on contracts in that real-world environment, where the objective of government is to have projects delivered and where potentially sending its contract to the wall might not help in that regard?

Mr TAYLOR — I hesitate to make a joke about lawyers.

Mr PAKULA — No, go ahead; feel free.

The CHAIR — There are several around this table; feel free. I am not one of them.

Mr PAKULA — None of them is sensitive either.

Mr TAYLOR — The whole purpose of our review was to say that better planning avoids poor outcomes and poor consequences which can lead to litigation. That is what governments and agencies should be avoiding. If you plan things appropriately and carefully with good advice and milestones, you will avoid litigation.

Mr PAKULA — Not always.

Mr TAYLOR — Well, I think having penalty clauses safeguards agencies and is a way of holding vendors to account. You may not need to worry about litigation if you are able to say you have not delivered within the time frame that you specified in your contract or you have not provided the goods and services. But if you have something that is so broad and so complex that you cannot manage it, then, yes, there are risks attached.

Ms HENNESSY — I would just like to go back to explore this issue of accountability. I noticed in your submission that you have referenced the *Harvard Business Review* article on IT risk management and how you effectively risk manage IT projects. It strikes me that whenever we have tried to explore the concept of agency accountability, as opposed to structural accountability, people's immediate reaction is that accountability means being hung out to dry when things go pear-shaped. I would be interested in your comments as to what you mean when you say 'accountability' in respect of mistakes and false forecasting — more so for our own internal titillation. When you look at the kind of work that is referenced in part of your submission — people like Flyvbjerg, who kind of suggest that false forecasting should be punished by way of imprisonment, and I know certainly the Sarbanes-Oxley Act in the US also took that really seriously — how do we actually encourage the public service to take on an authentic accountability in the sense that often when that issue has been raised people think it is about being hung out to dry, either for their political masters or for not accepting responsibility in the first place?

Mr TAYLOR — I think one of the key themes — and it is jargon in one sense, but very true in another — is transparency in decision making. If any decision making, regardless of whether it is about day-to-day business or about expenditure of large amounts of money, is well documented, well argued and well defended, then if things go wrong, that should be measurable and accountable and not necessarily the fault of an individual. Where we find problems occurring is where, firstly, it is only through a problem coming to our attention that we investigate — and I will give you a very clear example in a moment — but then people deny responsibility, run for cover and pretend it did not happen or blame someone else, then we need to look at individual conduct.

The whole purpose of our review was to look to the future. But in this day and age how do you have a case like Greyhound Racing Victoria, where the CEO claimed that he was not a public servant — although he had worked for government for 12 years — and that gambling in his lunch hour was fine, particularly if it was about greyhounds? Doing other things that were inappropriate led him to suddenly realise that he was no longer suitable for the job and he resigned. That is a good outcome — an unintended inconsequence — but showed a level of accountability that should be there.

Ms HENNESSY — When we talk about things like having greater steering committees and governance groups, on the one hand I think that is a good thing in that it can give an institutional structure to both relevant agencies stepping up, but on the other hand I think it does put your blame-shifting antenna on high alert simply because a committee cannot ultimately be responsible. So it was with some caution yesterday that we heard DTF evidence that it had posited a range of various new structures — whether high value or high risk, or

Gateway reviews that people still do not know anything more about — and whether or not they are sanctioned or how enforceable all of these things are. What sort of accountability would you talk about, for example, around DTF and its involvement in costings?

Mr TAYLOR — That is a good question. Of course DTF would always rely on an agency's costings, but we are saying that DTF should be part of that process. After all, DTF manage the government's expenditure and manage the funds, so it is too simple to say, 'We have agreed to giving an organisation X dollars', and then step back from any subsequent decision making. I do not think punishing wrongdoing in terms of poor decision making and poor outcomes is the way to go. I think punishment should relate to serious misconduct and seriously accountability. In the 10 projects we looked at we did not see that. We saw just a continual litany of poor preparation, poor planning, poor accountability, poor decision making and overruns, and in some cases a waste of expenditure. You are not looking for fault and blame in those circumstances.

The CHAIR — So the issue is clear that the people who are effectively responsible for the delivery of projects that have significant overruns — whether it is time and/or cost because it is not their money and not even, if you like in a proprietary sense, shareholders money — perhaps do not have the same sense of responsibility as might occur in a proper environment. Is that the inference of what you are saying?

Mr TAYLOR — Yes, but there is even an underlying aspect to that too — that those people making those decisions may be ill equipped to make the decision in the first place.

The CHAIR — That is a really important issue because that comes back to the fundamental skill issue that we are discussing, and indeed it comes back to the point that I raised with Ms Barlow earlier about the capacity to prepare a business plan. You used an example of police outsourcing a business planning process, given that they had a defined pot of money and the question was actually how to spend it, rather than designing from the ground up a new system which would actually deliver a result within a reasonable parameter.

Mr PAKULA — Can I just follow that up on that, and in following up, Chair, let me say that you have more confidence in the accountability for lost money in the private sector than I do. I have seen plenty of CEOs carry on and get their bonuses in spite of very bad performance.

I just want to understand: there seems to be a difference — and there might not be — in the views of the Ombudsman's office and VAGO in regard to Treasury in that VAGO has expressed on a number of occasions now that it is concerned about Treasury acting as both poacher and gamekeeper. As I understand what you are saying, the Ombudsman's office ought to be involved all the way along. They ought to have tick-off and then be involved in the IDCs and have a heavy involvement right through the project, which seems, if understand the Auditor-General's view correctly, somewhat at odds with what they say about the role of DTF, where they say that one of the concerns we see is the fact they have been in fact both poacher and gamekeeper on a number of projects, though not necessarily the ones you have looked at. I am just trying to understand whether or not VAGO and the Ombudsman have different or similar views about the appropriate role for Treasury in these projects going forward.

Mr TAYLOR — I would suggest that they are complementary views. VAGO would be looking at it from a financial perspective, and I cannot say that we discussed this particular aspect with the Auditor-General, but I think the underlying principle that we have touched on already is that I do not think DTF having a hands-off approach has worked very well in the projects we have looked at. That is why we have recommended closer involvement. It does not have to be a rigid oversighting involvement at every stage, but it needs to be more than just, 'Here is the money', and then stepping back, being on a committee but not being an active participant. There needs to be a greater involvement. DTF has disagreed with some of our recommendations, as you will see.

Mr PAKULA — Would you say that DTF accepts your characterisation of the role they have played, or would they contest your characterisation of the role they have played?

Mr TAYLOR — I think they would recognise that our arguments are reasonable, but they do not necessarily agree with everything we have said. You will see that is reflected in the report. They do not necessarily agree with all of our recommendations. Some of them may agree with in part. I think there is an element of perhaps not wanting to engage in the process as much as we would suggest they should.

Mr PAKULA — Forget the recommendation for a moment. Do they agree with what you say their role has been to date?

Mr TAYLOR — They had an opportunity to respond to this draft report, and they raised no overall criticisms of the content of the report.

Mr ANGUS — I just want to refer to the overall issue. Obviously we have had these 10 projects in which you have identified major cost blow-outs and major time blow-outs, and you mentioned earlier the example of one of the secretaries getting involved in the HealthSMART project, which brought that forward. My question is in relation to the role of the secretary of the relevant department or agency. What is your comment in relation to the fact that perhaps they should be more active, given that you have cited, not only in verbal evidence but also in the written document here, the fact that when that happened there was an outcome pretty much straightaway? What is your view in relation to that? Should they be essentially closer to the projects and have a more active role within that, rather than obviously just looking from a distance and watching the wheels fall off all of these projects?

Ms BARLOW — I think they need to be involved to the extent that if there is a need for them to become involved and to contact the CEO of the vendor, they are in a position to do that and they are fully informed. At the end of the day, you may have a director who is responsible to the secretary for delivering the project. The secretary needs to be informed about the status of the project on a regular basis, and if there is a need to escalate things, then the secretary needs to be ready to do that. That is what we saw with the Department of Health example, and I think later on with the CRIS project the Department of Human Services secretary stepped in and contacted the vendor as well. So I think they need to be there if that escalation is required.

Mr ANGUS — But you must have seen many examples where they did nothing because there were just disasters everywhere in the reporting. However, as I said, in terms of financial and timewise, what is your comment on that? Should that be more proactive?

Ms BARLOW — In terms of the number of other projects that we have looked at — definitely. There were opportunities for the secretaries to get involved, and it may have been that active involvement by the secretary may have alleviated some of the problems that the projects were facing.

Mr ANGUS — And their inaction, did that have any consequence?

Ms BARLOW — I think you can see the consequences in the reports in the fact that the projects were significantly delayed and significantly overbudget because vendors were allowed to continue in ways that perhaps were not in the public interest or were not taking the project in the direction it should have been going.

Mr ANGUS — Sure, but in terms of their own career paths and so on, perhaps not so much?

Mr TAYLOR — At the end of the day, you only have to look at the reports to see the consequences of poor decision making. Whilst in each case we interviewed the head of the agency concerned to see what their involvement was, the reality was that only a handful took an active interest in these substantial projects.

Mr MORRIS — Can I just ask — and you may have in part just answered — was it a failure to keep themselves fully informed, as Ms Barlow said, or was it a failure to act on the information they had?

Mr TAYLOR — There may even be an alternative as to whether principal officers were adequately briefed on the progress of a project. I suspect in some cases they were not.

Mr MORRIS — That would reflect on both the person who should have been briefing them and on their —

Mr TAYLOR — In terms of accountability — yes, certainly.

Mr MORRIS — following the briefing through.

Mr O'BRIEN — On this issue, yes, and it follows on also, because it is all about contracts and enforcement options. Under your heading 'A lack of leadership', in paragraph 59 on page 17, you made the statement:

Senior officers in agencies were often reluctant to make critical decisions about projects such as placing them on hold or terminating contracts. Projects seemed to develop a momentum once they were started and good money was often thrown after bad.

And then you identified a number of projects that you had examined — myki, HR Assist and the integrated courts management system. Then you talked about two that were cancelled; the housing integrated information package and Link were effectively put on hold. Could you elaborate on that, particularly where you see the role for secretaries? Also down to paragraph 63, where you said:

It is important that secretaries and ministers provide more critical oversight of ICT-enabled projects.

This was following on from the paragraph earlier, where you said:

There needs to be a shift away from seeing cancelling projects as a sign of failure.

What do you say in relation to moving forward, particularly government reputation and perhaps the perception that governments are a soft touch for some of these vendors or other people dealing with government and that contracts will not be enforced out of a fear that it will be a sign of failure? What do you say about that, particularly in relation to the examples in the past and going forward?

Mr TAYLOR — In all government decision making I think there should be clear lines of accountability right up to and including the secretary of the department, if that is appropriate. The secretary of a major department cannot hope to be across the minutiae of every day. Some of them have a huge compass to cross. In major expenditure, and we only looked at that these projects that were worth more than \$20 million —

Ms BARLOW — Ten million.

Mr TAYLOR — or \$10 million for these ones, but certainly many of them more than hundreds of millions, I would have thought that it would have been prudent for the departmental head or secretary to be aware at least in general terms and to be briefed regularly on progress. Some of them were not. Two were. One promptly took action, and that was the Secretary of the Department of Health. We mentioned that in the report. The other one, as Ms Barlow said, was the Secretary of the Department of Human Services, but only after that project had been floundering for three years.

There is a responsibility within an organisation to know what is going on, and where does the buck stop? You have already identified that: the secretary and perhaps even the minister. I would have thought that a good departmental head would also be briefing a minister on key issues that are going on. That was one of the reasons why we want to look at cabinet documents, because I believe there may have been instances where the minister did not get the full picture.

Mr PAKULA — Can I just jump in on that? Cabinet documents will not necessarily tell you that. Cabinet documents will tell you what goes to cabinet. Cabinet documents will not assist you in understanding what briefs a department head or a departmental officer has provided to the minister. So in the absence of cabinet documents, it would still be possible. For us it would be subject to FOI; for you it would be possible to at least find out what written advice ministers had been provided with by their departments, whether it is by their department head or otherwise. Obviously there would be numerous instances where department heads or other department officers brief ministers verbally without there necessarily being a briefing paper trail. When you say that department heads are not across things, in the absence of cabinet documents do you ascertain that solely by asking them? I mean, when you say a department head does not know this, that or something, what is the basis of your finding?

Mr TAYLOR — In these cases we looked at all the briefings. In every case we looked at departmental briefings in relation to the projects.

Mr PAKULA — Right. And did you also question secretaries — —

Mr TAYLOR — Yes.

Mr PAKULA — About what they knew, what they did, whom they had spoken to?

Mr TAYLOR — Correct.

Mr PAKULA — So these are circumstances where you say that departmental heads confirmed to you that they were uninvolved?

Mr TAYLOR — I would not say uninvolved but that they had been briefed on progress, and in only two instances did we see the departmental head step in and take action.

Mr O'BRIEN — And I could quote, because the part of it that you did not answer in your fulsome answer to me was this concept of failing to cancel projects foreseen as a sign of failure. In paragraph 61 you identify some projects. Could you — or Ms Barlow or someone — just elaborate as best you can, specifically on the part where you say:

... serious consideration was given to cancelling the contracts and re-evaluating the projects. Such decisions were not taken.

What are you referring to there?

Mr TAYLOR — I think the LINK project, which I touched on earlier, is a good example. It was not until Victoria Police took on board an experienced IT manager to manage their information technology area that consideration was given to stopping LINK.

The history of that is: you will no doubt recall that the Ombudsman did a report to Parliament on Victoria Police's business and information technology services several years ago which led to the head of that area resigning over the failure to adequately account for \$200 million annual expenditure on IT. More recently Michael Vanderheide took over that position, and that was one of his decisions — and obviously the right decision. He at least had the courage to take that step. As to the other one, HIIP — —

Ms BARLOW — The housing integrated information project, the HIIP project, was cancelled the first time, and then the project was recommenced. I guess it is important to note that we are not saying that if the project goes bad, you should cancel it and start again, but there needs to be consideration of that, and it needs to occur early on rather than in three years time.

The Ombudsman has made a number of recommendations which we consider may better enable agencies to be in a position where they can cancel a project but still have achieved something. One of the things we are talking about is implementing projects in stages, with clear deliverables and clear milestones, so if you get to the end of stage 1 and this project is not going in the direction that you thought it was going to, then the agency should be in a position to stop the project then — it is not a complete loss; there has been an achievement — and then you would go back to the drawing board and think about how to move forward.

Mr O'BRIEN — Just on specifics, you mentioned myki, HR Assist and integrated courts. Do you have specifics on decisions there that you could give us?

Ms BARLOW — No.

The CHAIR — I think we are getting pretty close to the end.

Mr SCOTT — I just think one thing needs to be fleshed out which adds a positive way of framing actions by department heads, and that is the intervention of the Secretary of the Department of Health. Could you describe how that arose organisationally? We have had a discussion about what goes wrong, and you have cited that as an example of proactive management, where someone was taking proper oversight and taking their role in a more appropriate manner, to put it in a positive frame. How did that arise, and what sort of information were they receiving that allowed that action to take place?

Ms BARLOW — I understand that there had been ongoing failures with the project, that the project manager had been escalating it to the vendor and that there had not been adequate response, so eventually the secretary made the decision to contact the vendor — and I think it was in America. That was a decision that the secretary of the agency made.

Mr SCOTT — But were there any specific procedural differences — that the secretary of the department was better informed or had had a more detailed briefing or there was a better system in place?

Ms BARLOW — Not to my knowledge. I think it was just an ongoing concern and nothing was changing. One of the things when you are looking at business case development is in business case development there would be opportunities to set up these sorts of things: when should something be escalated to the secretary, when does the secretary need to get involved and what is their involvement? But in this case I think it was just ongoing failures.

The CHAIR — We are coming to the conclusion of our time available, and I will wrap it up there. But before I do so, I just want to make an observation — it is a very personal observation.

It seems to me that the culture in relation to accountability and responsibility has changed a great deal over time. I stand to be corrected, and probably everybody will give me another example, but the last minister whom I can recall actually taking personal responsibility for some significant failings in his department was the late Geoff Hayes, who was Minister of Housing back in the Hamer and Thompson governments. I remember his resignation, and the reason I remember it is that he just stands out as a minister who personally was not culpable in any way but he had a view, and I presume politically there was pressure at the time, that somebody needed a head, but the point is that the minister took responsibility.

There are not many instances of that in a contemporary era where ministers actually take responsibility. So it goes down that line, in my view, that we do not actually see a structure of clear lines of responsibility and therefore accountability for anybody in relation to failed projects or projects that may not fail but that exceed their budgets excessively and so on. I think this is a really critical issue, and I am not sure that the people sitting around this table are in fact wise enough to transpose their views across the whole Westminster system of government, but at least we will have a pretty red hot go.

Ms HENNESSY — I am happy to give you some suggestions as to which minister should fall on their sword, to do my bit for Westminster!

The CHAIR — I would like to thank you very much for your observations about that issue of accountability and responsibility. It has been a very informative session, and your report particularly has been very valuable. In due course we will provide you with a transcript for verification. Thank you for your attendance today. This closes the hearing.

Witnesses withdrew.