Administration of the Gateway Review Process

Department of Finance and Deregulation

Australian National Audit Office

Canberra ACT
7 February 2012

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken an independent performance audit in the Department of Finance and Deregulation with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *Administration of the Gateway Review Process.*

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

Yours sincerely

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Auditor-General

The Honourable the President of the Senate
The Honourable the Speaker of the House of Representatives
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Abbreviations

AAUs	Agency Advice Units
AGIMO	Australian Government Information Management Office
ANAO	Australian National Audit Office
APS	Australian Public Service
CEO	Chief Executive Officer
Finance	Department of Finance and Deregulation
FMA Act	*Financial Management and Accountability Act 1997*
GAT	Gateway Assessment Tool
GIC	Gateway Implementation Committee
ICT	Information Communications and Technology
MUL	Multi-Use List
NAO	United Kingdom National Audit Office
NPP	New Policy Proposal
NSW	New South Wales
OGC	United Kingdom Office of Government Commerce
PM&C	Department of the Prime Minister and Cabinet
PPM	Project Profile Model
RAG	Red/Amber/Green
RPAT	Risk Potential Assessment Tool
RTL	Review Team Leader

RTM   Review Team Member

SRO   Senior Responsible Official

Summary and Recommendations

Summary

Introduction

1.   The Gateway Review Process is a project assurance methodology developed in the United Kingdom to improve the delivery of major projects. It involves short, sharp and confidential reviews conducted by reviewers not associated with the project at six key stages of the project lifecycle, also known as Gates. At each Gate the review is aimed at:

- assessing the project against its specified objectives at a particular stage in the project's lifecycle;

- providing an early identification of the areas that may require corrective action; and

- providing validation that a project is ready to progress successfully to the next stage.[1]

2.   Gateway is not an audit, a detailed technical review or an inquiry. The intention is that Gateway reviews will identify and focus on issues that are most important to a project, so that the project team's effort is directed to those aspects that will help make the project successful.[2]

3.   Gateway reviews are coordinated by the Gateway Unit in the Department of Finance and Deregulation (Finance). This includes: verifying the risk scores of projects meeting the financial thresholds; the selection, training, appointment and coordination of the Gateway Review Teams; the development of guidance to support agencies; and the dissemination of lessons learned from Gateway reports.[3]

4.   The Australian Government phased in Gateway over three years from the 2006–07 Budget. After initially commencing with a small number of high risk projects, Gateway was expanded to cover all projects of $10 million and over for IT projects, and $20 million and over for other procurement and

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[1]   Department of Finance and Deregulation, FMG 20, *Guidance on the Gateway Review Process – A Project Assurance Methodology for the Australian Government*, August 2006.

[2]   Department of Finance and Deregulation, *Gateway Review Process – Overview for the Senior Responsible Official*, November 2009.

[3]   During 2010–11 the Gateway Unit had an average of about seven full-time equivalent staff. In July 2011, the Gateway Unit was renamed the Assurance Reviews Branch.

infrastructure projects, assessed as representing a high risk in *Financial Management and Accountability Act 1997* (FMA Act) agencies.

5.   At the conclusion of a Gateway review, and following a briefing by the Review Team on the review's conclusions and recommendations, a report is provided to the Senior Responsible Official (SRO) within the project's administering agency on the last day of the onsite review activity.[4] A copy of the final review report is also provided to the Gateway Unit. A red/amber/green (RAG) rating is used to indicate the overall assessment of delivery confidence for the project. Until mid-2009, the traffic light system related to the urgency of addressing report findings. This has now changed to relate to the confidence in delivering the project outcomes. Table 1 outlines the previous and current definitions for these ratings.

Table 1

Gateway review report rating definitions

Rating	Mid-2006 to mid-2009	Mid-2009 onwards
Red	It is critical to the overall success of the project that the issues raised in this review are addressed before the project proceeds.	The effective and timely delivery of the project outcomes is in doubt. There are major issues which require urgent action.
Amber	The issues raised in this review should be addressed before the next Gateway review.	The issues raised in this review pose an immediate and significant risk to the effective and timely delivery of project outcomes – however, these appear manageable if addressed promptly.
Green	The project is on target to succeed, but may benefit from implementing the recommendations in respect to the issues raised in this review.	The project is on target for the effective and timely delivery of project outcomes and, while there may be some findings requiring management attention, these appear readily resolvable at this stage.

Source: ANAO analysis of Finance publications.

6.   Over the first five years of operation (to 30 June 2011) of the Gateway review process in the Australian Government, a total of 150 Gateway reviews were completed. These reviews related to 46 'high risk' projects estimated to cost in aggregate in excess of $17.6 billion at the time the projects commenced. The projects that have been subject to Gateway reviews have been predominately information communications and technology (ICT) projects (74 per cent of all projects). Gateway has also been applied to a number of

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4   Onsite review activity typically takes less than five days to be completed.

infrastructure projects (22 per cent of all projects) and procurement projects (four per cent of all projects).

7.   Gateway reviews were forerunners to a range of measures being taken by government to provide greater assurance that government policies could be implemented in line with government expectations and agency plans. The Finance Minister recently announced further measures designed to provide independent assurance on how well practical delivery issues are being addressed in preparing for implementation in relation to certain high risk proposals.[5]

Audit objective and criteria

8.   The objective of the audit was to examine the effectiveness of the administration of the Gateway review process by Finance and FMA Act agencies. The audit also examined the extent to which those Gateway reviews that have been conducted have contributed to improvements in the delivery of major projects undertaken by FMA Act agencies.

9.   The audit examined the operations of the Gateway Unit within Finance as it relates to the design, implementation and ongoing administration of Gateway. All aspects of the Gateway Unit's operations were examined including: the selection and management of the Review Teams; support and guidance provided to agencies; the dissemination of lessons learned across the Australian Public Service (APS); and the continual improvement of Gateway. The audit examined all projects that had been the subject of Gateway reviews (to 30 June 2011) across 23 agencies.

Overall conclusion

10.   Overall, the Gateway review process has been effectively implemented within the Australian Government. There has been a focus on high risk, high value projects with 46 projects valued at more than $17 billion across

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[5]   Speech by the Minister for Finance and Deregulation, *Better Government: Improving Program Implementation and Delivery*, Institute of Public Administration Australia Forum, Canberra, 15 November 2011. One measure is Implementation Readiness Assessments, which focus strategically on key areas in determining the capability and preparedness of the agency in planning to implement a proposal and, in doing so, provide agencies with the opportunity to gain independent assurance on how well practical delivery issues are being addressed in preparing for implementation. The process draws from the methodology contained in the Better Practice Guide on *Implementation of Programme and Policy Initiatives: Making Implementation Matter* (Australian National Audit Office and the Department of the Prime Minister and Cabinet, October 2006) and the United Kingdom's Office of Government Commerce *Gateway Review Process*.

23 agencies examined in the first five years of Gateway's application. In the first three years, about one in every five reviews identified that there were significant issues that needed to be addressed before the project proceeded further. In the last two years[6], there have been no reviews that have identified major issues requiring urgent action.[7] However, participation in the Gateway review process does not guarantee success in meeting specified project objectives. At least three of the nine projects that have completed the full suite of Gateway reviews up to 30 June 2011 were not completed on-time and on-budget and/or did not deliver the outcomes expected when funding was approved.[8]

11.   Because Gateway is a licensed process used with permission, there has been a relatively high degree of methodological standardisation across jurisdictions, including within the Australian Government. Nevertheless, the Gateway review methodology has been tailored to the Australian Government context. This has included recent changes to the basis for allocating risk ratings in review reports and, since late 2008, escalation processes to provide added visibility at senior levels within the agency. In certain circumstances, the relevant Minister is informed where the Gateway review rating indicates a project is experiencing difficulties.

12.   While the processes used to determine which projects are to be subject to Gateway reviews were generally effective, several projects that met the criteria were not subject to Gateway reviews due to the timing of their risk assessments.[9] In addition, there would be benefits in Finance periodically examining the outcomes of those projects excluded from Gateway on the basis of their assessed level of inherent risk so as to be assured that the risk assessment process is working as intended. Accordingly, the ANAO has made

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6   The rating approach was changed in mid-2009.

7   Gateway reports are specific to a single project and its circumstances at a point-in-time. Accordingly, Finance advised the ANAO that it would not be advisable for Gateway review results to be extrapolated to all FMA Act agency projects.

8   Each of these three projects received two or more Gateway review reports with an amber rating, and one project received a report with a red rating during the course of the project's implementation. A further eight projects are expected to complete their involvement in Gateway during 2011–12.

9   The Gateway risk assessment is intended to be completed prior to a New Policy Proposal (NPP) being considered by government, with projects above the financial thresholds that are assessed as high risk expected to be subject to the Gateway Review Process. However, where a risk assessment has not been completed and provided to Finance prior to government consideration of the NPP, the project has not been subject to Gateway reviews.

two recommendations aimed at enhancing the screening processes for targeting Gateway reviews at all high value, high risk projects.

13. A key factor that influences the extent to which Gateway reviews are able to contribute to improved on-time and on-budget delivery of projects relates to the timing of reviews. There are often significant delays between Gate reviews, including as a result of reviews being rescheduled by the sponsoring agency. In light of steps taken or being considered in other jurisdictions that apply Gateway to avoid extended periods between Gates, the ANAO has recommended that there is a role for Finance in monitoring extended periods between Gateway reviews.

14. Further, as noted at paragraph 10, performance by completed projects that have been subject to Gateway has been mixed. However, at present, the extent of any delays, cost overruns and shortfalls in delivery of outcomes in projects subject to Gateway is not quantified by Finance, and is not currently considered in any assessment of the overall contribution of Gateway to improving project planning and implementation by agencies. Accordingly, the ANAO has recommended that greater attention be paid to assessing whether the Gateway review process is contributing to improved project delivery by agencies.

15. The contribution that Gateway makes to improved project delivery depends, to a significant extent, on agencies promptly progressing the issues raised in reviews. However, it is common for agencies to not fully implement review recommendations in a timely manner.[10] Of particular note in this respect is that demonstrable action in response to a Gateway review report often does not occur until shortly before the next review is undertaken.[11] By rescheduling a review, there is less visibility over any delay with the agency taking action in response to the prior review report. Accordingly, and without detracting from the responsibility of individual agencies to manage and deliver their projects, the ANAO has recommended that Finance promote a greater

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[10] Similarly, a recent investigation undertaken by the Victorian Ombudsman in consultation with the Victorian Auditor-General concluded that the effectiveness of the Gateway review process in that State was limited by its reliance on agencies engaging in and being supportive of the process, which often was not the case. The concerns identified included that whilst some review recommendations were addressed, others were ignored and that some agencies regularly continued to progress projects despite receiving red or precautionary amber lights. See further in Victorian Ombudsman, in consultation with the Victorian Auditor-General, *Own motion investigation into ICT-enabled projects*, November 2011.

[11] Notwithstanding, in respect to 106 instances up to June 2011 where an earlier Gate review had been conducted, the review team reported in 72 per cent of cases that the recommendations from the earlier Gate had only been partially implemented.

focus on the timely and effective implementation of Gateway review report recommendations by agencies.

Key findings by chapter

Gateway project selection (Chapter 2)

16. The Gateway review process focuses on higher value projects where there are high risks. A risk assessment tool is completed by individual agencies, and verified by the Gateway Unit, to decide which projects will be subject to Gateway. For the majority of the 198 projects with an estimated value above the relevant financial threshold (134 projects or 68 per cent), neither the agency's initial risk assessment nor the Gateway Unit's final risk assessment required that the project be subject to Gateway reviews.

17. Gateway Unit moderation of agency assessments has promoted consistency in risk assessment. In this context, the Gateway Unit has changed the agency's indicative rating in respect of one in every five projects. Most commonly, the Gateway Unit has increased the risk rating. Of the 64 projects with a final assessment rating of 'high' and thereby requiring their participation in the Gateway process, 27 (42 per cent) were only included in Gateway as a result of Finance increasing the indicative self-assessed rating of the project's sponsoring agency.

18. Whilst providing a clear basis for the selection of projects for Gateway reviews, there is one aspect of the screening process that could be improved. Currently, projects are not being subject to Gateway review if the relevant agency has not submitted a risk assessment to Finance prior to seeking government funding through a New Policy Proposal. There would be benefits in options being examined that would ensure that any decisions to exclude a project from Gateway are being taken by relevant Ministers.

Reviewer selection and engagement (Chapter 3)

19. The success of the Gateway review process depends to a significant extent on the qualities of the persons engaged to lead and undertake individual reviews. In the majority of cases, Gateway reviewers from both the public and private sector have been selected from a list of suitably qualified and experienced persons recorded in a database developed and maintained by the Gateway Unit. Potential reviewers from the private sector are able to apply at any time to be included on the database, and APS staff are also able to apply to be registered.

20.   Training of Gateway reviewers is provided through an accredited training provider, with the course material based on that developed for the Victorian Government. As at 30 June 2011, some 85 per cent of reviewers on the Gateway Unit database (375 of 440) were recorded as having participated in this training, with almost all participants in recent years rating this training as 'very effective'.

21.   A high quality pool of suitably qualified and trained Review Team Leaders and Review Team Members is integral to the success of Gateway. In selecting the composition of individual Gateway review teams, including the team leader, the Gateway Unit balances a range of appropriate considerations, including the experience and expertise of potential candidates and the views of the sponsoring agency for the project. Agencies (through the SRO) have reported to Finance a high level of satisfaction with the quality of the review teams and leaders.

22.   To date, there has been significant reliance on private sector reviewers, with targets for participation by APS staff not being met.[12] In addition, to date, only one review has been led by a member of the APS, and there has been a high degree of reliance on a small number of private sector participants to lead individual reviews. In recent years, Finance has revised its targets for APS participation on three occasions, and taken steps to increase the number of APS staff registered on the database as potential Gateway reviewers. APS staff participation on Gateway reviews increased in both 2009–10 and 2010–11, although to a level still below the current target.

Conduct of Gateway reviews (Chapter 4)

23.   Funding is provided to Finance to meet the cost of Gateway reviews. Factors such as the timing of government decisions and individual project progress mean that actual expenditure will rarely match the amount of funding made available to Finance at the beginning of each year. Finance is nevertheless required to commission all reviews as and when they are required. In recent years, the direct costs of Gateway reviews have been significantly less than that budgeted, due to fewer reviews being undertaken than had been forecast and the cost of each review being less than that

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[12]   Participation of reviewers from both the public and private sectors was expected to enhance the prospect that an adequate range of skills and experience would be brought to reviews, with the participation of APS staff also expected to contribute to the development of project management capability across FMA Act agencies.

expected. In addition to the direct costs of Gateway reviews (for which Finance receives specific funding), Finance also has to meet the costs of oversighting and coordinating the Gateway review process. In this context, Finance advised the ANAO that it had contributed around $1.5 million in general departmental internal funding to Gateway over the years 2005–06 to 2010–11, to supplement government appropriations so as to ensure that the objectives of Gateway are met.

24.   The scheduling of reviews is determined in consultation between the Gateway Unit and the sponsoring agency. It has become common for planned reviews to be rescheduled, with about one-third of all planned reviews being rescheduled. Some reviews were scheduled and rescheduled up to six times. There have also been long delays between reviews. For example, nine of the 29 ongoing projects as at 30 June 2011 had not been the subject of a review for at least 12 months, including one project that was last reviewed more than three years ago. In addition, the duration between reviews has tended to increase as a project progresses through the sequence of Gates. Accordingly, to provide assurance that the high risk projects subject to Gateway are being progressed in accordance with the stated objectives and expected time, cost and quality parameters approved by government, there may be benefits in annual Gateway reviews being conducted for projects where there would otherwise be an extended delay between reviews.

25.   Compared with other jurisdictions that have adopted Gateway, fewer Australian Government projects receive an amber or red rating. The rating approach was changed in mid-2009 from relating to the urgency with which report findings and recommendations were to be addressed, to be an assessment of the review team's confidence that the project will be delivered in a timely and effective manner. Since that change was made, the proportion of reports receiving a green rating has doubled to over 60 per cent and there have been no reports allocated a red rating (previously about one in every five reports received a red rating). Figure 1 shows the percentage of reports issued each year that received red, amber and green ratings respectively.

Figure 1

Gateway Report RAG Ratings for the years 2006–07 to 2010–11
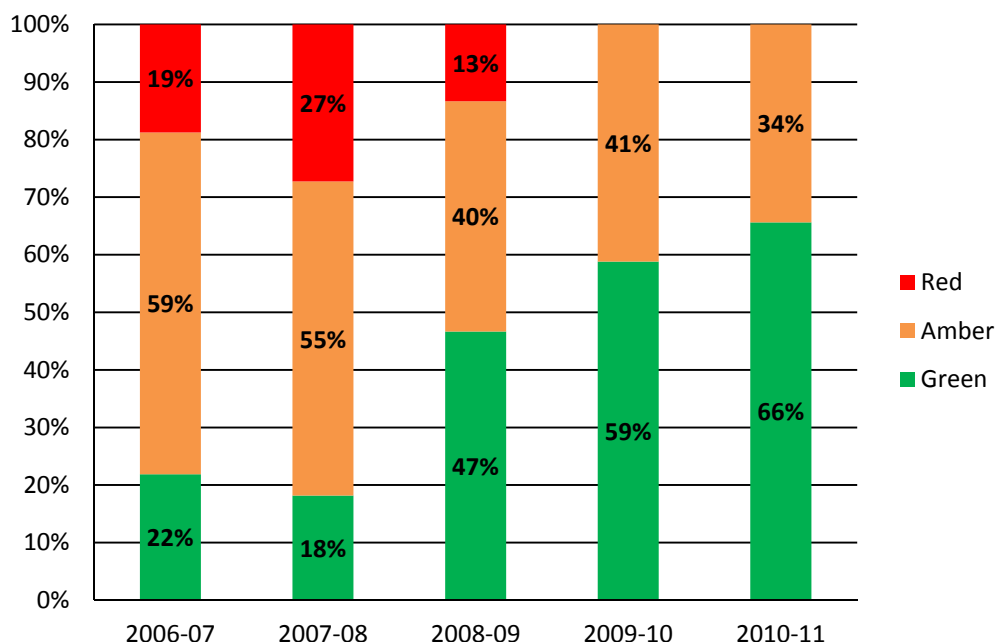
Source: ANAO analysis of Finance data.

26.   This trend could be seen as indicating that the management of ICT and infrastructure projects by FMA Act agencies has improved in recent years, and that FMA Act agencies are better at project management than agencies in other jurisdictions applying the Gateway review methodology. However:

- such a trend is not consistent with the results and recommendations of the Gershon review[13], the APS Reform Blueprint[14] or successive State of the Service reports[15];

- Finance has advised the ANAO that it would not be advisable for Gateway review results to be extrapolated to all FMA Act agency projects as Gateway reports are specific to a single project, and its circumstances at a point-in-time; and

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[13]   *A Review of the Australian Government's use and management of ICT*, Sir Peter Gershon, October 2008.

[14]   Advisory Group on Reform of Australian Public Administration, *Ahead of the Game: Blueprint for the Reform of the Australian Public Service*, March 2010.

[15]   Australian Public Service Commission, *State of the Service Report*, various years.

- at least three of the nine projects that have completed the full suite of Gateway reviews up to 30 June 2011 were not completed on-time and on-budget and did not deliver the outcomes expected when funding was approved.

27. In this latter respect, of the nine projects that had completed the full suite of Gateway reviews as at 30 June 2011, Finance's assessment was that six projects were on-time, on-budget and delivered the expected outcomes. One project was completed ahead of schedule, within the revised budget but delivered reduced outcomes compared with those expected when funding had been approved.[16] Two projects were delivered late and one of the late projects provided only partial delivery of the expected outcomes.[17] The extent of the delays, cost overruns and shortfalls in delivery of outcomes in these projects was not quantified by Finance, and is not currently considered in any assessment of the overall contribution of Gateway to improving project planning and implementation by agencies. In this context, there would be benefits in Finance tracking and periodically reporting on the impact that the Gateway review process has had on improving the outcomes of completed projects.

Agency actioning of Gateway review reports (Chapter 5)

28. Gateway was one of two processes introduced in the latter half of the last decade aimed at providing improvements in cost certainty and to facilitate greater scrutiny of projects.[18] In this context, Gateway reviews are expected to provide an arm's length assessment of a project at critical stages of the project's lifecycle so as to:

- assist with the on-time and on-budget delivery of projects in accordance with their stated objectives; and

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[16] This project had received two amber reports, had cancelled one scheduled review (that was to repeat a Gate) and deferred another review (that repeated a Gate). Two reviews noted that previous review recommendations had only been partially implemented.

[17] The first project received four amber reports, repeated one Gate and deferred another Gate review. Four reviews noted that previous recommendations had only been partially implemented. The second project received one red and eight amber reports, repeated one Gate once and another Gate three times, and deferred one review for a Gate five times. Five reviews noted that previous review recommendations had only been partially implemented.

[18] The other was the two-stage Cabinet approval process for capital works. See Finance advice to the ANAO reflected in ANAO Audit Report No. 43 2008–09, *Construction of the Christmas Island Immigration Detention Centre*, p.32. A two-stage process for ICT investment was also introduced in September 2009.

- strengthen project oversight and governance.

29. Consistent with the philosophy underpinning the development of Gateway, Finance's implementation of the Gateway Review process has endeavoured to reinforce the responsibility of individual agencies for the management and delivery of their projects. Accordingly, in general, agencies are provided with considerable discretion in how they administer projects subject to Gateway and the extent to which Review findings and recommendations are made known outside of those with management responsibility for the project. However, there are two scenarios in which added attention is expected to be brought to bear but in neither circumstance has administration of the relevant arrangements been sufficiently effective. Specifically:

- a small number of projects (12 of the 46 projects subject to Gateway up until 30 June 2011) have been categorised as 'mission critical'.[19] Whilst certain minimum governance and reporting arrangements are expected to apply to these projects, it has been relatively common for these arrangements to not be implemented; and

- where the Gateway review rating[20] indicates a project is experiencing difficulties, escalation processes have been in place since late 2008 to provide added visibility over project progress at senior levels within the agency and, in certain circumstances, the relevant Minister.[21] As at June 2011, the Enhanced Notification process had been triggered for ten projects. Whilst the process has largely been followed and subsequent ratings have generally improved, the process also appears to have impacted on the way in which the Gateway Review process is being administered. In particular:

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[19] Defined as a project deemed essential to the Australian Government's ability to successfully deliver a major legislative requirement or a major policy initiative; or a project for which failure would have catastrophic implications for the delivery of a key public service, national security or the internal operation of an FMA Act agency. The Gateway Unit advises agencies if their project is mission critical at the time they are notified that the project is subject to Gateway.

[20] Changes were made to the RAG rating process in mid-2009 to, amongst other things, reduce the number of projects that would be subject to the Enhanced Notification process.

[21] There are three escalation stages in the Enhanced Notification process. Where one red or successive amber reports are received, the Secretary of Finance writes to the agency's Chief Executive Officer. At the second level, if further red or amber reports are received, agencies are required to prepare an action plan and inform their Minister, the Secretary of Finance and the Secretary of the Department of the Prime Minister and Cabinet of the problems and proposed solutions. The third level requires the agency to conduct an independent external project review.

- the number of projects subject to the Enhanced Notification process has been reduced through the practice adopted in some projects of repeating a gate (sometimes on more than one occasion) thereby obtaining an improved rating[22]; and

- although the Gateway review process is designed to provide an external challenge to the robustness of plans and processes on a 'going forward' basis so as not to unduly impact on project schedules, it has become common for scheduled reviews to be deferred until such time as the agency is confident that the review rating will not result in the Enhanced Notification process being triggered. Prior to its introduction, about one in 20 Gateway reviews was deferred at the request of the relevant agency. Since November 2008, almost half of all reviews have been deferred at least once.

30. The Enhanced Notification processes were intended to provide greater visibility over projects experiencing problems as well as to promote early remedial intervention. In most instances, the escalation processes are only triggered by consecutive red or amber ratings. Accordingly, the design of the Enhanced Notification processes did not envisage a high frequency of gates being repeated or of scheduled reviews being deferred. More broadly, Gateway is best able to provide assurance and improve project management through the timely conduct of Gate reviews combined with prompt agency action being taken prior to the next review.

31. Based on the feedback provided by agency SROs, there is a high level of satisfaction with the quality of the review teams that are undertaking Gateway reviews. In addition, the significant majority of SROs have reported to Finance that they find Gateway reviews beneficial and consider that the recommendations made in the Gateway report will enable them to achieve improvements in project outcomes. That said, it is common for agencies to not fully implement Review recommendations in a timely manner.

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[22] In this respect, 13 projects (18 reviews) have involved repeated Gates. In 15 cases, the Gate review was repeated following the receipt of a red or amber rating for the initial review at that Gate level. In nine instances, the repeated gate resulted in an improved rating which, in five of those instances, enabled a project to avoid being subject to the Enhanced Notification process.

Summary of agency responses

32. A number of agencies provided summary comments on the audit report, as follows.

Department of Finance and Deregulation

Well targeted and applied assurance through Gateway Reviews plays an important role in assisting agencies deliver government initiatives of high value and risk, as demonstrated through the consistently positive Senior Responsible Official feedback.

The report notes that the Department of Finance and Deregulation (Finance) has been active and progressive in managing the Gateway Review Process.[23] This includes enhancing Gateway's effectiveness through improving the methodology, its integration with other assurance processes and its administration (for example by increasing the participation of Australian Public Service senior executives in Gateway reviews). The costs of Gateway have also been reduced.

Finance supports the recommendations.

Australian Taxation Office

The Australian Taxation Office (ATO) supports the conclusions and recommendations made in the Australian National Audit Office's Performance Audit of the Gateway Review process.

The ATO agrees that the Gateway Review process has been effectively implemented and believes that the improvements recommended in the audit will further enhance the Gateway Review process.

ComSuper

Comsuper has had one project, the Administration Platform Modernisation (APM) project, which has been subject to the Gateway Review Process. ComSuper welcomes the ANAO report and supports all recommendations aimed at enhancing the Gateway Review Process.

Department of Education, Employment and Workplace Relations

The report provides an informative analysis of the Gateway Review Process and the department supports the outcomes expressed to improve current practices as outlined in the recommendations. The department's participation in this audit has provided an opportunity for beneficial internal discussion on future enhancements to Gateway Reviews and the Gateway Review Process.

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23 The overall conclusion formed by the ANAO is reflected in paragraph 10.

Department of Industry, Innovation, Science, Research and Tertiary Education

While none of the recommendations of the report require specific action from the Department of Industry, Innovation, Science, Research and Tertiary Education, we would welcome working with the Department of Finance and Deregulation in streamlining these processes.

Department of Regional Australia, Local Government, Arts and Sport

The department agrees with the five recommendations aimed at improving the risk assessment process as outlined in the report, noting that they are to be actioned by the Department of Finance and Deregulation. The Department of Regional Australia, Local Government, Arts and Sport acknowledge the Gateway Review Process as an important mechanism for monitoring and assurance of major Government projects and support its continued refinement.

Department of the Treasury

The Treasury strongly supports the Gateway Review Process and notes that it has been particularly useful in assisting the implementation of Standard Business Reporting. The Treasury supports the audit report's recommendations, which we consider will further enhance the Gateway Review Process.

Department of Veterans' Affairs

The Department of Veterans' Affairs (DVA) acknowledges the value of the Gateway process as a project assurance methodology, noting that it does not purport to be an audit nor a detailed technical review. The Gateway reviews conducted on DVA's Choice and Maintainability in Veterans' Services (CMVS) Program in 2010 were constructive in (1) affirming the program's continuing strategic fit with the department's longer term strategic objectives and those of the Australian Government, (2) the need for an additional on-line channel to support our client base, and (3) acknowledging our Minister's understanding and support for the program. The reviews also assisted in cementing Executive support for the program, with interviews of several Executive level officers below the Senior Responsible Official (SRO), and they confirmed the soundness of the business need and the robustness of the business case for the program.

DVA also considers that the reviews did assist in providing an additional management focus on specific program elements, which enabled timely risk mitigation activities to be exercised. For example, the need for increasing resourcing and a focus on a detailed final ICT enterprise architecture for the program, both of which were subsequently addressed as program priorities.

In general, DVA agrees with each recommendation stemming from the review, noting that, whilst they are principally directed to the Department of Finance and Deregulation, they have potential impacts on agencies in terms of increasing the number of reviews through an annual review framework, and greater project reporting by agencies to enable central agency measurement of project outcomes against original project objectives.

Recommendations

Set out below are ANAO's recommendations and agencies' abbreviated responses. More detailed responses are shown in the body of the report immediately after each recommendation.

Recommendation No.1

Para 2.31

To improve the Gateway risk assessment process used to determine which projects are to be subject to these reviews, the ANAO recommends that the Department of Finance and Deregulation examine options and pursue an approach that provides relevant Ministers with visibility over any projects proposed to be excluded from Gateway because of delays with the sponsoring agency completing a Gateway risk assessment.

Agreed: All responding agencies.

Recommendation No.2

Para 2.34

To provide assurance that the Gateway review process is being applied to all relevant projects, the ANAO recommends that the Department of Finance and Deregulation periodically examine the outcomes of those projects excluded from Gateway on the basis of their assessed level of inherent risk.

Agreed: All responding agencies.

Recommendation No.3

Para 4.40

To provide assurance that the high risk projects subject to Gateway are being progressed in accordance with the stated objectives and time, cost and quality parameters expected at the time funding was originally approved by government, the ANAO recommends that the Department of Finance and Deregulation examine the merits of conducting annual Gateway reviews for projects where there would otherwise be an extended delay between reviews.

Agreed: All responding agencies.

Recommendation No.4

Para 4.44

To assess the contribution that the Gateway review process is making to improving project delivery performance by agencies and identify any opportunities to improve the Australian Government's application of Gateway, the ANAO recommends that the Department of Finance and Deregulation periodically analyse the time, cost and scope outcomes achieved by completed projects against the parameters expected at the time funding was originally approved by government, and compare this with the findings and ratings of the Gateway review report for each project.

Agreed: All responding agencies.

Recommendation No.5

Para 5.44

The ANAO recommends that the Department of Finance and Deregulation implement appropriate measures to promote a greater focus by agencies on the timely and effective implementation of Gateway review report recommendations.

Agreed: All responding agencies.

Audit Findings

1.   Introduction

This chapter provides background and contextual information about the Gateway review process adopted by the Australian Government. The audit objective, criteria and methodology are also outlined.

Background

1.1   In 2005 the then Government commissioned a review of methodological approaches to enable the early detection of problems and risks associated with major projects. The research was undertaken by the then Department of Finance and Administration and the Department of the Prime Minister and Cabinet, reporting back to the then Prime Minister and the then Finance Minister. The aim was to identify proven project assurance methodologies across government and the private sector. The review identified the Gateway Review Process (Gateway) as the appropriate methodology to be adopted by the Australian Government to improve on-time, on-budget project delivery.

1.2   The Gateway Review Process is a project assurance methodology developed by the United Kingdom's Office of Government Commerce (OGC) to improve the delivery of major projects. It involves short, sharp and confidential reviews at critical points throughout a project's life, conducted by reviewers not associated with the project. Gateway has been operational in the United Kingdom since 2000. It was adopted by the Victorian State Government in 2003 and is used in various jurisdictions including some Australian state governments, New Zealand and across the United Kingdom.

1.3   The Australian Government phased in Gateway over three years from the 2006–07 Budget. After initially commencing with a small number of high risk projects, Gateway was expanded to cover all projects of $10 million and over for IT projects, and $20 million and over for other procurement and infrastructure projects, assessed as representing a high risk in *Financial Management and Accountability Act 1997* (FMA Act) agencies. While it was intended that Gateway would broaden its scope further to include medium risk projects from 2008–09 onwards, in September 2007 it was decided to continue limiting the scope of Gateway to cover only high risk projects.

The Gateway Unit

1.4   Gateway reviews are coordinated by the Gateway Unit in the Department of Finance and Deregulation (Finance).[24] The Gateway Unit was established in the first year of the pilot and continues to have responsibility for the implementation and ongoing administration of the Gateway process.[25] During 2010–11 the Gateway Unit had an average of about seven full-time equivalent staff.

1.5   The Gateway Unit is responsible for the selection, training, appointment and coordination of the Gateway review teams; the development of guidance to support agencies; and the dissemination of lessons learned from Gateway reports. It is also responsible for verifying the risk scores of projects meeting the financial thresholds.

1.6   The Gateway Unit has produced guidance material on the conduct of Gateway reviews. In particular, in August 2006, a handbook was published to provide Gateway review teams with advice on the typical information requirements for each Gate and key questions to explore at each Gate. Also in August 2006, a guidance document was published to assist agencies, Gateway reviewers and project teams prepare for, and participate in, Gateway reviews. The information in each of these two documents was based on similar documents published in 2004 by the Victorian Government and the United Kingdom Office of Government Commerce. Neither has been updated to reflect significant changes made to the Commonwealth's implementation of Gateway since 2006 including, for example, the approach taken to assigning ratings at the conclusion of each review.[26] In November 2011, Finance advised the ANAO that its suite of Gateway publications would be refreshed during 2012**.**

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[24]   In July 2011, the Gateway Unit was renamed the Assurance Reviews Branch.

[25]   The Gateway Unit was initially supported by governance oversight from a Gateway Implementation Committee which consisted of membership at the Deputy Secretary level from Finance, Medicare Australia, the Department of Defence, the Department of Immigration and Citizenship, and the Department of the Prime Minister and Cabinet.

[26]   Brochures published by Finance in November 2009 (on Gateway reviews in general, and specific for Senior Responsible Officials) as well as an April 2010 brochure published for the benefit of review teams do reflect the various changes.

The Gateway process

1.7   The Gateway process involves short intensive reviews of key project documentation at six key stages of the project lifecycle, also known as Gates.[27] Figure 1.1 highlights the key stages of the Gateway Process. The aim of the Gateway review is to provide an independent assessment to the responsible agency of the project's progress. At each Gate the review is aimed at:

- assessing the project against its specified objectives at a particular stage in the project's lifecycle;

- providing an early identification of the areas that may require corrective action; and

- providing validation that a project is ready to progress successfully to the next stage.[28]

1.8   Gateway is not an audit, a detailed technical review or an inquiry. The intention is that Gateway reviews will identify and focus on issues that are most important to a project, so that the project team's effort is directed to those aspects that will help make the project successful.[29]

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[27]   Department of Finance and Deregulation, FMG 20, *Guidance on the Gateway Review Process – A Project Assurance Methodology for the Australian Government*, August 2006.

[28]   Finance, FMG 20. op cit.

[29]   Department of Finance and Deregulation, *Gateway Review Process – Overview for the Senior Responsible Official*, November 2009.

Figure 1.1

Stages in the Gateway Review Process

Vertical text (left margin): Generic lessons learnt from projects will be assessed, aggregated and periodically published by the Gateway Unit on a non-attributable basis.

Gate 0 – Business Need*
Focuses on the broader, strategic assessment of the business need of the sponsoring agency.

Gate 1 - Business Case
Focuses on the robustness of a project's business case in respect to the proposed approach and supporting analysis.

Gate 2 - Procurement Strategy
Focuses on the project's preparedness to invite proposals or tenders.

Gate 3 - Investment Decision
Focuses on whether the supplier selection assessment meets the business needs and contract delivery controls exist.

Gate 4 - Readiness for Service
Focuses on assessing organisational readiness for delivery and ongoing management.

Gate 5 - Benefits Realisation
Focuses on measuring the project's success in achieving its objectives and potential remedial actions.

Phase 1 - Establish Business Case
Business need identified. Develop program or project strategic proposal to provide the framework for options to address the business need.

Phase 2 - Develop Business Case
Options identified and appraised; affordability, achievability and value for money established. Clarify the way forward on the program or project.

Phase 3 - Develop Procurement Strategy
Specify requirements, document procurement strategy, update business case.

Phase 4 - Examine Competitive Procurement
Evaluate bids, select or confirm supplier or partner, update business case.

Phase 5 - Deliver Solution
Award of contract/statement of work or transition to new contract, testing and commissioning of asset or service, assess readiness for delivery.

Phase 6 - Manage the Contract
Asset or service delivered, benefits achieved, performance and value for money maintained/improved.

Closure
End of procurement contract/work package.

* A Gate 0 review may occur prior to the start-up stage of a program or project if required, or during later stages of the project if required.

Source: Finance, FMG 20, op. cit., p.13.

1.9   Gate 0 – Business Need review became mandatory for all government projects that meet the Gateway criteria, following the publication of the Gershon review[30], which found that there was no formal common method of

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[30]   *A Review of the Australian Government's use and management of ICT*, Sir Peter Gershon, October 2008. The mandatory requirement for a Gate 0 Business Need Review took effect for New Policy Proposals after the date of the December 2009 Decision.

assessing agency capability to commission, manage and realise benefits from ICT enabled projects. Gate 0 is intended to improve agencies' focus on the strategic business benefits of each project and to expand the benefits of Gateway to promote a more robust project strategy and business needs development. Gate 0 reviews are usually conducted at the initial stages of a project to inform government decision making.

1.10 Projects that are included in Gateway must proceed through all subsequent gates in the Gateway process during their lifecycles.[31] At each Gate, the Gateway review comprises four elements:

- Assessment meeting: The Gateway Unit and the project's Senior Responsible Official (SRO)[32] meet to clarify the characteristics of the project, discuss the timing and logistics of the review and determine the skill and security clearance requirements of potential reviewers.

- Planning meeting: The assigned Gateway Review Team (review team) and significant project personnel discuss the status of the project and agree on requirements for the review, including documentation to be provided and people to be interviewed.

- Onsite review activity: The review team examines critical documentation and conducts interviews with key project team members and other stakeholders. Reviews are held at the agency's premises and generally take four or five days to complete.

- Gateway review report: The report is provided to the SRO on the last day of the onsite review activity following a briefing by the review team on the review's conclusions and recommendations. The Review Team Leader (RTL) also provides a copy of the final report to the Gateway Unit at the conclusion of the review.

1.11 Figure 1.2 shows the typical timeline of the onsite review activity.

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[31] Finance, FMG 20. op cit., p.1.

[32] The term SRO is a generic title for the official within an agency who is the single point of overall accountability for the successful realisation of a project's outcomes and objectives. Typically the SRO is an officer at the Senior Executive Service (SES) Band 3 or Band 2 level.

Figure 1.2

Typical timeline for the Gateway onsite review activity

Day 1	Day 2	Day 3	Day 4	Day 5

Gateway review team meeting to confirm activities for the week	Interviews with project stakeholders Review project documentation Gateway review report drafting	Finalise Gateway review report Gateway review team complete their feedback on the process Review Team Leader provides review report to Gateway Unit

Daily briefing provided to the Senior Responsible Official	Senior Responsible Official briefing and Gateway review report handover

Source: Finance, *Overview for the Senior Responsible Official*, op. cit.

The Gateway review teams

1.12   Gateway reviews are undertaken by a small team of independent peer reviewers, appointed by the Gateway Unit, with expertise in project management or the technical aspects of the project. The Gateway Unit aims to include two public sector and two private sector reviewers on each review team.

1.13   The cost of engaging reviewers is met by Finance.[33] In the lead-up to the 2010–11 Budget, in response to efficiencies and structural savings, including changes to the composition of review teams, the Government decided to reduce the Gateway funding provided to Finance for each project from $460 000 to $400 000.

Gateway reports and the red/amber/green (RAG) rating

1.14   Gateway reports are intended to be confidential, high level, evidence-based, constructive and action oriented. They aim to identify issues and recommendations that contribute to the governance, assurance and overall success of the project. They also seek to provide an overall assessment of delivery confidence for the project, as well as an indication of the criticality of the recommendations.[34]

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[33]   Finance, *Gateway Review Process – Overview*, op. cit.

[34]   ibid.

1.15   A red/amber/green (RAG) rating is used to indicate the overall assessment of delivery confidence for the project. Until mid-2009, the traffic light system related to the urgency of addressing report findings. This has now changed to relate to the confidence in delivering the project outcomes. Table 1.1 outlines the previous and current definitions for these ratings.

1.16   Other jurisdictions (including Victoria, Western Australia and Queensland) have RAG ratings applicable to individual recommendations in addition to an overall rating. The Australian Government has retained only one rating for a report on the basis that 'individual findings are highlighted and responding to individual findings remains the responsibility of the FMA agency.'[35]

Table 1.1

Gateway review report rating definitions

Rating	Mid-2006 to mid-2009	Mid-2009 onwards
Red	It is critical to the overall success of the project that the issues raised in this review are addressed before the project proceeds.	The effective and timely delivery of the project outcomes is in doubt. There are major issues which require urgent action.
Amber	The issues raised in this review should be addressed before the next Gateway review.	The issues raised in this review pose an immediate and significant risk to the effective and timely delivery of project outcomes – however, these appear manageable if addressed promptly.
Green	The project is on target to succeed, but may benefit from implementing the recommendations in respect to the issues raised in this review.	The project is on target for the effective and timely delivery of project outcomes and, while there may be some findings requiring management attention, these appear readily resolvable at this stage.

Source: ANAO analysis of Finance publications.

Reviews of Gateway

Post implementation review and assessment by the Gateway Unit

1.17   In mid-2007, a post implementation review was undertaken for Finance by consultants. The report found that Gateway had been effectively implemented and met the requirements outlined in the initial decision to implement the framework.[36] The conclusions in the report were based on a

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[35]   Finance, *The Gateway Review Process in the Australian Government*, op. cit.

[36]   ibid.

review of documentation from the Gateway Unit and from interviews with key stakeholders. The report stated that feedback from SROs indicated that the process was contributing to the delivery of their projects. The 2007 finding is supported by performance information published in Finance's 2009–10 annual report, which stated that 97 per cent of SROs surveyed at the end of each Gate review identified Gateway as contributing constructively to their project.

1.18 In the lead up to the 2009–10 Budget, the Government considered a report on the implementation of Gateway and agreed to the continuation of Gateway with a range of best practice policy improvements to enhance the application of Gateway in the Commonwealth.[37] In addition, progressive self-review by the Gateway Unit has been compiled through 360 degree feedback forms for review teams and SROs, as well as analysis of Gateway reports. Lessons learned considered by Government in the 2009–10 Budget and subsequently incorporated into the Gateway process were:

- an 'enhanced notification' process triggered by incidences of red or sequential amber ratings[38]; and

- more timely receipt of the Gateway reports by the Gateway Unit.[39]

1.19 To date there have been no reviews or evaluations undertaken of the overall effectiveness of Gateway in the Australian Government context. However, Finance is required to report to the Government in the 2014–15 Budget on the costs and benefits associated with the application of the Gateway review process.

Changes effective from 2011–12

1.20 In July 2011, the Gateway Assessment Tool (GAT) used for determining the risk of projects was replaced by the Risk Potential Assessment Tool

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[37] ibid.

[38] This process involves the Secretary of Finance writing to the relevant agency chief executive to advise that the Gateway review team has raised concerns and asking the agency to consider appropriate escalation action and further investigation of the findings.

[39] Previously the Gateway Unit received a summary of the Gateway findings at the time that the report was issued to the agency and only received a copy of the full report when the next Gate report was completed.

(RPAT).[40] Whereas previously agencies were only required to complete a GAT for projects exceeding the set financial thresholds, all New Policy Proposals after 8 August 2011 are required to complete a RPAT.

Northern Ireland Audit Office

1.21   A review published by the Northern Ireland Audit Office in 2009 found that Gateway was being avoided by a large number of capital projects. Only three out of 24 projects considered for Gateway were actually subject to the process.[41] The Northern Ireland Audit Office recognised the need to review the country's application of Gateway.

UK National Audit Office (NAO)

1.22   In mid-2010, the UK NAO published a report on *Assurance for High Risk Projects*. The report considered the assurance framework for major government projects, including Gateway. The report found that the 'Government has improved the assurance for high risk projects but the lack of an integrated system is limiting its ability to leverage further improvements.'[42]

1.23   The report identified a lack of a clearly stated and enforceable mandate for assurance across government and consequences for non-compliance, as well as the lack of integration across the individual mechanisms and the reliance on point-in-time assurance as the areas of most concern. In particular, the report highlighted that the OGC's mandate relies on the departments' or SROs' willingness to comply. The NAO found instances where, although Gateway reviews were mandatory, projects had not been reviewed at all Gates.[43] In the report, the NAO suggested that assurance mechanisms ought to have the authority to report directly and independently to the top of Government, including Ministers.[44]

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[40]   The RPAT assists agencies to determine and communicate the potential risk of a proposal to Ministers before seeking Cabinet's agreement. The risk rating of a proposal (very high, high, medium or low) can also inform whether additional assurance processes should be applied. The tool contains 20 questions and extracts a Summary Table of Risks, and the top five risks for the 20 questions. It also guides agencies to identify potential mitigations to generate a 'residual risk' for the top five risks. If the level of risk (before mitigation) is medium or higher, a copy of the completed RPAT must be provided to Finance. Implementation Readiness Assessments (IRAs) are also required for some high risk proposals.

[41]   Northern Ireland Audit Office, *A Review of the Gateway Process*, NIAO 175/08-09, 8 July 2009, available at <http://www.niauditoffice.gov.uk>

[42]   National Audit Office, *Assurance for High Risk Projects,* June 2010, available at <http://www.nao.org.uk>

[43]   ibid.

[44]   ibid.

Audit objective, criteria and methodology

1.24 The objective of the audit was to examine the effectiveness of the administration of the Gateway Review Process by Finance and FMA Act agencies. The audit examined Finance's and agencies' activities from the commencement of Gateway in November 2005 to 30 June 2011, including whether:

• the Gateway Unit has appropriate procedures and guidance in place to effectively manage the administration of Gateway across the Australian Government;

• the application of the thresholds for inclusion in Gateway is sufficient to ensure that all major projects are subject to review as intended;

• Gateway review teams are adequately skilled and reviews are carried out in accordance with relevant guidance;

• agencies have procedures in place to ensure project team compliance with Gateway requirements; and

• agencies respond in a timely manner to the findings and recommendations of Gateway reviews.

1.25 The audit also examined the extent to which those Gateway reviews that have been conducted have contributed to improvements in the delivery of major projects undertaken by FMA Act agencies. This covered 150 reviews for 46 projects across 23 agencies (outlined in Appendix 1). Projects ranged from $10 million up to $6.2 billion. Specific analysis of the RAG results of the Gateway reviews was also undertaken in order to identify any trends since Gateway was first implemented.

1.26 All aspects of the Gateway Unit's operations were examined including: the selection and management of the review teams; support and guidance provided to agencies; the dissemination of lessons learned across the Australian Public Service (APS); and the continual improvement of Gateway.

Audit methodology

1.27 The audit methodology included:

• interviews with Gateway Unit staff and analysis of key Gateway documentation;

• interviews with FMA Act agency staff and Gateway reviewers from the APS and the private sector; and

- analysis of each Gateway report and related documentation provided by agencies evidencing the actions taken by the agency as a result of the reviews.

1.28 The audit was conducted in accordance with the Australian National Audit Office (ANAO) auditing standards at a cost of $405 000.

Report structure

1.29 The structure of the remainder of the report is outlined in Figure 1.3.

Figure 1.3

Structure of the report

Chapter 2

Gateway Project Selection
- Introduction
- Australian Government approach to selecting projects
- Results of GAT risk assessments

Chapter 3

Reviewer Selection and Engagement
- Introduction
- Gateway reviewer training
- Selection of Gateway reviewers
- Registered reviewer utilisation
- Review Team Leader utilisation

Chapter 4

Conduct of Gateway Reviews
- Introduction
- Characteristics of Gateway reviews conducted to 30 June 2011
- Timing of Gateway reviews
- Duration of onsite reviews
- RAG ratings of Gateway reports
- Costs of Gateway reviews

Chapter 5

Agency Actioning of Gateway Review Reports
- Introduction
- Agency satisfaction with Gateway reviews
- Implementation of Gateway recommendations
- Mission critical projects
- Enhanced Notification process

2.   Gateway Project Selection

This chapter focuses on the processes used for identifying the projects that are to be subject to Gateway reviews, including the criteria for inclusion in Gateway and use of the Gateway Assessment Tool.

Introduction

2.1   In the United Kingdom, where Gateway originated, all information and communications technology (ICT) projects and procurement projects in the central government sector come within the scope of the Gateway process. For these projects, a risk assessment tool (known as the Project Profile Model or PPM) provides a standard set of high level criteria against which to assess the intrinsic characteristics and degree of complexity of proposed projects in order to establish the appropriate:

- control structures (including Gateway reviews);

- risk profile and corresponding risk strategy; and

- design approach, (such as delivering the project in several increments or modules to help reduce complexity).

2.2   Victoria was the first Australian government to introduce Gateway. In that state, and in New South Wales (NSW) and Western Australia, a PPM is also used to assess Gateway projects. Whilst no financial thresholds apply in the United Kingdom or New Zealand, NSW and Western Australia apply an initial financial threshold of $5 million and $10 million respectively for ICT projects, and $10 million and $100 million respectively for other procurement, infrastructure or capital works projects, before continuing through the risk assessment process. Victoria applies a general threshold of $5 million.

2.3   The ANAO examined whether the application of the thresholds for inclusion in Gateway was sufficient to ensure that all major projects are subject to review as intended.

Australian Government approach to selecting projects

2.4   The first year of applying Gateway in the Australian Government involved a sample of representative projects identified by the Gateway Assessment Tool (GAT) and verified using models which had been applied by

other jurisdictions.[45] Gateway Unit consultations with the sponsoring agency, key stakeholders and areas in Finance with relevant expertise developed a list of potential projects to pass through Gateway in the initial phase of implementation. This process of selection provided the Gateway Unit with an opportunity to determine what was required in the Australian Government context to assess the risks of new policy proposals and projects, and to refine the risk weightings and subsequent development of a GAT for the Australian Government. The list of potential projects was endorsed by the Gateway Implementation Committee (GIC) and confirmed by agreement between the then Prime Minister and the then Finance Minister. Five projects were selected on this basis.[46]

2.5 Following on from the first group of projects, the criteria for determining which projects would be subject to Gateway was that they were to be new projects undertaken by agencies operating under the FMA Act, with some exceptions for projects in the Defence portfolio.[47] They also had to satisfy financial and risk thresholds. The financial thresholds were set at:

• $10 million and over for IT projects; and

• $20 million and over for other procurement and infrastructure projects.[48]

2.6 The risk thresholds were set at 'high risk' which was assessed using the GAT and determined by the Gateway Unit. The development of the GAT was managed by the Gateway Unit. It was endorsed by the GIC following a period of review of the risk assessment tools used by other Gateway jurisdictions, and drew upon the advice of a reference group that included a number of staff in the APS working in risk management roles.

2.7 The categories of risk assessed in the GAT provide for a high level assessment based on scores and the response to questions designed to assess a

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[45] GATs used were from NSW, Victoria and the United Kingdom.

[46] The five projects were: Systems for People; Collection, Assessment and Storage of Sensitive Intelligence; VANguard; Commonwealth New Building; and Smartcard.

[47] Projects within the Defence portfolio have largely been excluded from the Gateway process on the basis that the Kinnaird 2 pass review was a more rigorous review of project proposals. There have been recent adjustments to this practice, with some Defence projects now subject to Gateway. Defence Capability projects remain excluded.

[48] The financial thresholds refer to the whole-of-program costs, excluding administered payments, but including all related departmental expenses over the forward estimates. Source: Department of Finance and Deregulation, *Gateway Review Process – Overview*, November 2009.

project's strategic context; its scope and complexity; and the delivery capability and approach.[49] The categories within the GAT are weighted for their relative importance to produce an indicative risk rating.

2.8 Progressive refinements have been made by the Gateway Unit to the GAT and supporting guidance in response to comments and feedback received to improve user understanding, functionality and accuracy.[50] As stated in Chapter 1, the GAT was replaced by the Risk Potential Assessment Tool (RPAT) in July 2011.

2.9 While the GAT is used to determine an initial score and high level assessment of the project's risk (for the purposes of Gateway), further information is used in the decision-making process for a final assessment to be made by the Gateway Unit. That is, the assessment does not solely rely on the agency's assessment. The final assessment by the Gateway Unit includes additional consultation with the project's sponsoring agency as well as other relevant areas of Finance, such as the Australian Government Information Management Office (AGIMO), the Asset Management Group and/or Budget Group. The rating is then confirmed or adjusted.

2.10 A formal GAT assessment is approved by the head of the Gateway Unit and the final rating is provided to the respective FMA agency submitting the GAT for inclusion in their Minister's proposal for the Cabinet.

2.11 The other means by which a project can be selected to enter the Gateway process, outside of the risk and financial thresholds, is to be nominated by the Prime Minister or Cabinet. There have been no projects subject to Gateway through this process.

New Policy Proposals limitation

2.12 Within the Australian Government, Gateway reviews were only required to be undertaken where the agency sought additional budget funding for the project, through a New Policy Proposal (NPP). As a result, regardless of their importance, value or inherent risks, any new projects that an agency was able to fund from within its existing resource base was not subject to the

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[49] The tool was designed so that the scores were not visible to agencies as they completed the GAT, but could be viewed by the Gateway Unit when the GAT was submitted. At various times Finance has added, removed or amended some questions and revised the score allocations built into the GAT.

[50] Initially the GAT was set too high and did not identify any projects as 'high risk'. The GAT was revised in September 2006 and in July 2007, 2008, 2009 and 2010 respectively. Minor revisions were also made in November 2010.

Gateway Review Process. This approach differed from that adopted in the United Kingdom, New Zealand and within Australian state governments. Changes to the Budget process rules for 2011–12 now require a NPP for all purchases of new assets, capital expenditure on existing assets or replacement of existing assets of more than $10 million in any one financial year that are funded from within existing departmental budgets.

Gateway limited to high risk projects

2.13 In the United Kingdom, all ICT and procurement projects are subject to Gateway reviews, with the level of risk identified through the PPM (see paragraph 2.1) determining the nature and structure of the Gateway review. Specifically, for:

- high risk projects, the central unit appoints a review team leader and team members independent of the agency;

- medium risk projects, the central unit appoints a review team leader and a team drawn from independent agency staff; and

- low risk projects, the agency appoints an independent leader and team drawn from within the agency.

2.14 New South Wales and Victoria have adopted similar Gateway regimes to the United Kingdom in terms of the central unit's role in coordinating reviews of both high and medium risk projects.[51]

2.15 In the Australian Government, the original decision to introduce Gateway envisaged that, whilst initially reviews would be limited to projects assessed as representing a high risk, Gateway coverage would be expanded from 2008–09 onwards to include both 'high risk' and 'medium risk' projects. However, in September 2007 the then Government decided to continue limiting the scope of Gateway to cover only high risk projects.

2.16 Under the Budget Process Operational Rules, the GAT is required to be completed prior to the NPP being considered by the Government, with projects above the financial thresholds outlined in paragraph 2.5 that are assessed as high risk expected to be subject to the Gateway Review Process. However, where a GAT has not been completed and provided to Finance prior to Government consideration of the NPP, the project has not been subject to

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[51]   However, instead of references to project risk, the NSW rating system refers to projects as being high, medium and low profile.

Gateway reviews. In this respect, in November 2011 Finance advised the ANAO that:

> The annual budget focus is on new policy proposals. Once approved there is rarely a comeback (notable exceptions are two-pass processes and probably lapsing programs) – hence if Government does not decide to apply Gateway at the NPP approval stage there is rarely another opportunity.

2.17 In this context, there were five instances observed by the ANAO where a GAT prepared after the NPP was considered by the Government led to a 'high risk' being allocated, but the project was not subject to any Gateway reviews.[52] There were also three instances where a risk assessment was not finalised. In each case the project was assessed by the agency as 'not high risk' (see Table 2.1).

2.18 The Gateway Unit wrote to the relevant agencies reminding them of the GAT requirements. It has also improved its coordination with Finance's Agency Advice Units (AAUs), including through the introduction of quarterly updates. In addition, the Gateway Unit provides presentations to Chief Finance Officer Forums and Budget Group, supplementing its scheduled discussions with AGIMO, Asset Management Group and Budget Group. Nevertheless, such instances continue to occur and, in any event, such projects being excluded from the Gateway Review Process may be acting as an incentive to agencies to not submit a GAT prior to the NPP being presented for Government consideration.

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[52] This approach was similar to the OGC methodology of not conducting Gateway reviews on projects that have not been through the early decision gates. However, at agencies' request, the OGC conducts 'health checks' of projects, using a similar methodology but branded differently from the Gateway review process. These are chargeable consultancies that do not take the place of a formal Gateway review. Similarly, Victoria does not generally apply the Gateway process to projects that have not gone through the first three Gates. It suggests that independent peer reviews be undertaken where added assurance is needed or where there are specific areas of concern. However, the Victorian Gateway Unit is not involved in conducting the peer reviews.

Table 2.1

GATs submitted too late for Gateway involvement in the project

Agency	Project name	Risk	$m	Received
DIAC	Citizenship Test and Values Statement	high	18.6	26/03/2007
ATO	First Home Savers Project	high	97	1/10/2008
ATO	Higher Concessional Caps	high	93	6/10/2010
ATO	Low Income Rebate	high	57	6/10/2010
Defence	Joint e-Health Data Information System (JeHDI)[53]	high	24	27/10/2010
ATO	Adelaide Consolidation	not high	404	4/11/2010
ATO	Albury Accommodation Fitout	not high	112	18/11/2010
ATO	Minerals Resource Rent Tax	not high	116	23/05/2011

Source: ANAO analysis of Finance data.

Results of the GAT risk assessments

2.19   Over the five years since Gateway was introduced in the Australian Government, there have been nearly 200 instances of a GAT being provided to the Gateway Unit, involving aggregate project costs of more than $32 billion. In this context, Table 2.2 illustrates the important role played by the Gateway Unit in verifying the risk scores of projects meeting the financial thresholds that determine which projects are included in the Gateway review process. In particular:

- there were 37 GATs (about one in every five) where the Gateway Unit final assessment varied the agency's indicative assessment – 73 per cent (27 GATs) were increased to 'high risk' and 27 per cent (10 GATs) were decreased to 'not high risk'. As a result, of the 64 projects with a final assessment rating of 'high' and thereby requiring their participation in

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[53]   In January 2012, the Department of Defence advised the ANAO that: 'The JeHDI Project was not the subject of a New Policy Proposal or additional funding. It was initiated prior to the expanded Two Pass Process into Defence and was risk assessed twice by Defence as "not high".

Finance advised late in the tender process that it wished to retrospectively review the Project and Defence complied by meeting multiple times with Finance and AGIMO representatives. Further, three separate comprehensive briefing papers were provided as were all the pertinent tender, evaluation and decision papers and answers to all Finance additional questions. In effect, the JeHDI Project passed all three gateways in the review.

At the time of *[this]* response, the JeHDI Project remains within the agreed Finance Agreement and is due to close in December 2013, its original completion date. The JeHDI Project is also on target to meet its stated objectives.'

the Gateway process, 27 (42 per cent) were only included in Gateway as a result of Finance increasing the indicative self-assessed rating of the project's sponsoring agency; and

- in 56 instances (28 per cent of all GATs received) insufficient Gateway Unit records were available to determine whether the risk scores had been amended. In another 45 cases, the Gateway Unit amended the risk scores – 75 per cent (34 GATs) were increased and 25 per cent (11 GATs) were decreased. However, the revised scores did not affect the overall rating ('high' or 'not high' risk).

2.20 The proportion of risk ratings amended by the Gateway Unit has generally declined as the GAT has been refined and agencies have become more familiar with using this tool. Nonetheless, the final risk assessment for about one in every five projects assessed during 2010–11 changed the rating in the agency's initial assessment.

Table 2.2

GAT risk assessments for the years 2006–07 to 2010–11

Year	Recd	Cost	Final Assessment Risk Rating					
	No.	$m	High	Not High	Unknown/ Too Late	Changed by GU	Increased	Decreased
2006–07	66	7 453	18	38	10	16	14	2
2007–08	13	7 874	6	7	-	4	3	1
2008–09	54	10 306	24	28	2	8	7	1
2009–10	34	3 320	7	24	3	4	1	3
2010–11	31	3 461	9	17	5	6	3	3
Total	**198**	**32 414**	**64**	**114**	**20**	**37**	**27**	**10**

Source: ANAO analysis of Finance data.

Note: Not all high risk projects proceeded to Gateway reviews. Other than projects with late submission of GATs (see Table 2.1), the majority of projects did not receive funding approval.

2.21 Figure 2.1 shows the proportion of GATs submitted each year that were assessed by the Gateway Unit as 'high risk'. On average during the five years to June 2011, some 36 per cent of projects received this rating (64 of 178 projects where final assessment documentation was available).

Figure 2.1

GAT projects assessed as high risk during the years 2006–07 to 2010–11
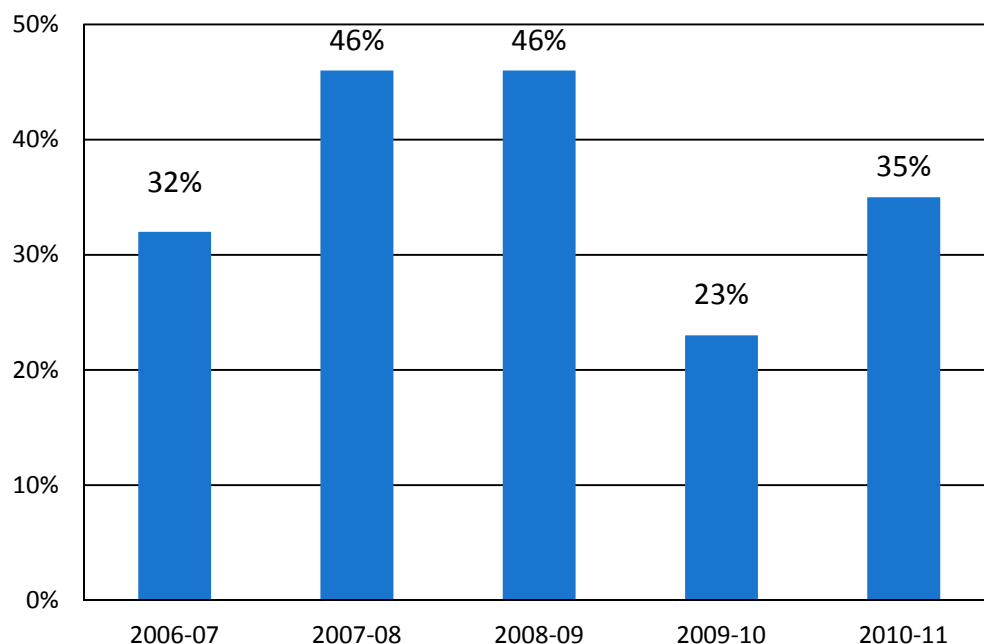
Source: ANAO analysis of Finance data. (n=178)

Note: Excludes projects where final risk assessment not provided to the ANAO.

2.22 To date, the Gateway Unit has not examined the merits of seeking periodic assurance that the GAT risk assessments are a sufficiently reliable indicator of the inherent risk of projects. For example, there has been no analysis undertaken as to the extent to which projects allocated a 'not high' risk rating were not delivered in a timely and effective manner.

GAT timing

2.23 The initial round of GATs was due on 31 January 2006.[54] Since then, agencies have been advised that the deadline for submitting their GATs is the end of October each year.[55] However, in April 2007, the Gateway Unit reported

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[54]   Estimates Memorandum 2005/56 issued 8 December 2005 and Estimates Memorandum 2005/62 issued 20 December 2005.

[55]   Estimates Memorandum 2008/41 issued 1 October 2008, Estimates Memorandum 2009/51 issued 14 October 2009. Estimates Memorandum 2008/51 issued 16 December 2008 required agencies to complete any outstanding GATs by 17 December 2008. Budget Coordination Circular 2009/06 issued 23 January 2009 stated that agencies are to complete GATs by 16 January 2009 (date already passed). Estimates Memorandum 2010/47 issued 21 October 2010 required agencies to lodge GATs 'as soon as possible'.

that only 23 per cent of required GATs were submitted by the due date (then 26 October 2006).[56] There has been no reporting on the timeliness of submission of GATs in subsequent periods. Figure 2.2 shows the number of GATs received by the Gateway Unit each month. This data indicates that the majority of GATs have been submitted late. However, some projects operate outside the Budget process and are therefore not required to meet the October GAT submission deadline.[57]

Figure 2.2

Number of GATs submitted to Finance for the period January 2006 to June 2011
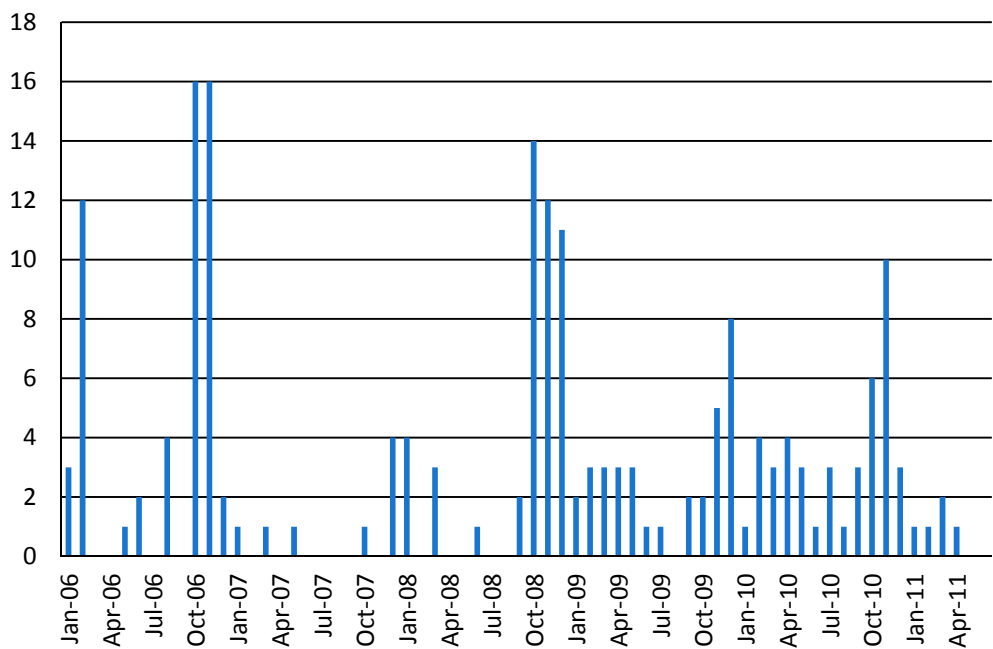
Source: ANAO analysis of Finance data.

Management and recording of GATs

2.24   The quality and consistency of recording GATs received and their risk assessment outcomes has varied over the years. Various spreadsheets have been used by the Gateway Unit to capture GAT information and there is no

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[56]   Department of Finance and Administration, 27 April 2007, *Report on the Implementation of the Gateway Review Process – 1 August 2006 to 31 March 2007*, p.6.

[57]   For example, available Gateway Unit records indicate that nine of the 38 projects with GATs submitted after the deadline in 2008–09 were outside the Budget process.

database or 'master list'. The ANAO observed that, in the past, the date that GATs were received by the Gateway Unit was not always recorded.[58] However, the GAT was amended to include a date field from July 2010.

2.25   There was no record of the Gateway Unit's advice to the agency on the final GAT assessment in 34 cases (19 per cent). In several instances it was not evident that agencies had provided the additional information requested by the Gateway Unit in order to finalise the assessment of the relevant GATs.[59]

Reported costs of projects

2.26   In June 2009, the Gateway Unit identified that in a number of instances the project costs submitted by agencies were inconsistent, with some including related administered funds, and others whole-of-departmental program costs. Other agencies limited their project cost to the ICT component only, neglecting other aspects of designing, implementing and managing the project. Gateway costing guidance was subsequently clarified to refer to the whole-of-project costs, excluding administered payments, but inclusive of all related departmental expenses over the forward estimates. This was aimed at recognising the full costs of designing and implementing the initiative without the risk of distorting the overall size of the project being managed.[60]

2.27   The Gateway Unit advised the ANAO that, where inconsistencies in the reported costs of projects were identified, this did not affect whether the projects met the Gateway financial thresholds.

Conclusions

2.28   To focus the application of the Gateway Review Process on higher value projects where there are high risks, a risk assessment tool (previously known as the GAT, now the RPAT) is completed by individual agencies, and verified by the Gateway Unit, to decide which projects will be subject to Gateway. For the majority (68 per cent) of projects with an estimated value above the relevant financial threshold, neither the agency's initial risk

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[58]   In part this has made it difficult to assess the timeliness of the Gateway Unit's processing of GATs.

[59]   Requests for additional information are common. For example, the Gateway Unit sought additional information for around 85 per cent of the GATs submitted in 2007–08. Available data is incomplete but indicates that such requests fell to 41 per cent in 2008–09, 32 per cent in 2009–10 and rose again to 45 per cent in 2010–11.

[60]   Although the Budget Process Operational Rules were clarified regarding administered expenses, this was not replicated in the Gateway Assessment Tool Instructions.

assessment nor the Gateway Unit's final risk assessment required that the project be subject to Gateway reviews.

2.29 Gateway Unit moderation of agency assessments has promoted consistency in risk assessment. In this context, the Gateway Unit has changed the agency's indicative rating in respect to one in every five projects. Most commonly, the Gateway Unit has increased the risk rating. Of the 64 projects with a final assessment rating of 'high' and thereby requiring their participation in the Gateway process, 27 (42 per cent) were only included in Gateway as a result of Finance increasing the indicative self-assessed rating of the project's sponsoring agency.

2.30 Whilst providing a clear basis for the selection of projects for Gateway reviews, there is one aspect of the screening process that could be improved. Specifically, agencies that do not submit their GAT/RPAT prior to seeking Government funding through a New Policy Proposal have not had their projects subject to the Gateway review process, without this decision having been taken by Cabinet. There would be benefits in options being examined that would ensure that any decisions to exclude a project from Gateway are being taken by relevant Ministers.[61]

Recommendation No.1

2.31 To improve the Gateway risk assessment process used to determine which projects are to be subject to these reviews, the ANAO recommends that the Department of Finance and Deregulation examine options and pursue an approach that provides relevant Ministers with visibility over any projects proposed to be excluded from Gateway because of delays with the sponsoring agency completing a Gateway risk assessment.

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[61] For example, the Prime Minister, the Minister for Finance and Deregulation and the relevant portfolio Minister.

Agencies' responses

2.32 All eight agencies that responded to this recommendation agreed with it.[62] Two agencies also provided the following comments on the recommendation:

- Finance commented that:

  Ministers make the decision to apply Gateway and changes have been made, with effect from August 2010, to ensure that those deliberations include advice on whether the proposal is recommended to be subject to Gateway and whether Finance has been consulted on this matter. Secretaries or agency heads are to make this certification which is to be included in advice to Ministers.

  If Finance hasn't been consulted, Ministers may still decide to apply Gateway. In limited circumstances, for example where an urgent and unforeseen proposal comes forward, the Minister for Finance and Deregulation in consultation with the Prime Minister and the Treasurer could subsequently make the decision to apply Gateway which could be based on an assessment of risk and Central Agency briefing; and

- the Department of Veterans' Affairs noted that a consequence of this recommendation is that agencies need to have a proper understanding of timings associated with GAT/RPAT assessments within the context of the Budget cycle and, in that context, recommended that Estimates Memoranda and Budget Coordination Circulars avoid lodgement deadline terminology such as 'as soon as possible' and be date specific.

2.33 Understandably, Finance's oversight of the Gateway Review process has focused on those projects subject to reviews. As a result, to date, the Gateway Unit has not examined the merits of seeking periodic assurance that the GAT/RPAT risk assessments are a sufficiently reliable indicator of the inherent risk of projects. For example, there has been no analysis undertaken as to the extent to which projects allocated a 'not high' risk rating were not delivered in a timely and effective manner. Such analysis would be of particular benefit given it was originally intended that the coverage of

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[62] Namely the: Department of Finance and Deregulation; Australian Federal Police; Australian Securities and Investments Commission; Australian Taxation Office; ComSuper; Department of Climate Change and Energy Efficiency; Department of Regional Australia, Local Government, Arts and Sport; and Department of Veterans' Affairs.

Gateway would be expanded from 2008–09 onwards to include both 'high risk' and 'medium risk' projects.[63]

Recommendation No.2

2.34 To provide assurance that the Gateway Review Process is being applied to all relevant projects, the ANAO recommends that the Department of Finance and Deregulation periodically examine the outcomes of those projects excluded from Gateway on the basis of their assessed level of inherent risk.

Agencies' responses

2.35 All eight agencies that responded to this recommendation agreed with it.[64] Two agencies also provided the following comments on the recommendation:

- Finance commented that:

    The report notes that Finance reviews and recalibrates the Risk Potential Assessment Tool (RPAT) each year so that it remains a contemporary risk assessment tool. Finance will periodically include a review of a sample of projects that have not been subject to Gateway in future reviews of the RPAT and related guidance.

- the Department of Veterans' Affairs commented that:

    Detailed advice will need to be issued by Finance in respect of the monitoring arrangements for projects that are excluded from Gateway but subject to follow-up monitoring. It is recommended that, where possible, existing project reporting structures be used to provide the information required, for example project Highlight Reports routinely provided to Project and Program Boards. If existing project reporting arrangements are deemed not suitable for centralised monitoring, projects will need to be aware of the implications that specific reporting requirements have so as to ensure the required information is compiled during the implementation of the project, rather than as a unique report constructed through historical data gathering.

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[63] In September 2007 it was decided to continue limiting the scope of Gateway to cover only high risk projects.

[64] Namely the: Department of Finance and Deregulation; Australian Federal Police; Australian Securities and Investments Commission; Australian Taxation Office; ComSuper; Department of Climate Change and Energy Efficiency; Department of Regional Australia, Local Government, Arts and Sport; and Department of Veterans' Affairs.

3.   Reviewer Selection and Engagement

This chapter examines the Gateway Unit's management of the engagement, training and selection of Gateway reviewers.

Introduction

3.1   The availability of a high quality pool of suitably qualified and trained review team leaders and review team members is integral to the success of Gateway. Amongst other considerations, having a pool comprising both public and private sector reviewers enhances the prospect that an adequate range of skills and experience is brought to reviews.

3.2   The ANAO examined the Gateway Unit's processes for the engagement, training and selection of Gateway reviewers. In the majority of cases, Gateway reviewers from the public and private sector have been selected from the list of suitably qualified and experienced persons recorded in the Gateway Unit's database.[65] Potential reviewers complete the relevant application form available from the Finance website (*Public Sector Nomination Form* or *Application for Inclusion on the Gateway Multi-Use List*) and are registered if they satisfy the Conditions for Participation.[66] The Gateway Multi-Use List (MUL) was established in May 2006 and is continuously disclosed on AusTender.[67]

3.3   As at 30 June 2011, there were 440 reviewers on the database, comprising 146 from the Australian Public Service (APS), 16 from other public service jurisdictions and 278 from the private sector. While there has been a steady increase in the number of private sector reviewers registering on MUL,

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[65]   The List of Potential Reviewers (public sector) and Multi Use List (private sector) are not exclusive arrangements from which to source potential reviewers. Rather, the Gateway Unit has also undertaken direct sourcing, including from other Gateway jurisdictions, where specific skills and experience was required for a particular review. Arrangements are also in place for sharing Australian Government Gateway reviewer information with various state, territory and international government jurisdictions.

[66]   These conditions include technical expertise in one or more of the areas of project management; business analysis; procurement; and/or specialisation in: business change project management; infrastructure project management (including construction, property and facilities management and engineering); information technology project management; service management; and/or operations support.

[67]   <https://www.tenders.gov.au> Finance also considered using expressions of interest or a panel arrangement for procuring private sector reviewers, but decided that the MUL offers the best overall solution to conform with the Commonwealth Procurement Guidelines. The first MUL was extended for one year in May 2007 and a further two years in May 2008. The second MUL (referred to as MUL2) commenced in May 2010 and expires in May 2013.

the trend in registrations of APS reviewers has remained relatively flat over most of the period (see Figure 3.1).

Number of registered Gateway reviewers for the period June 2007 to June 2011
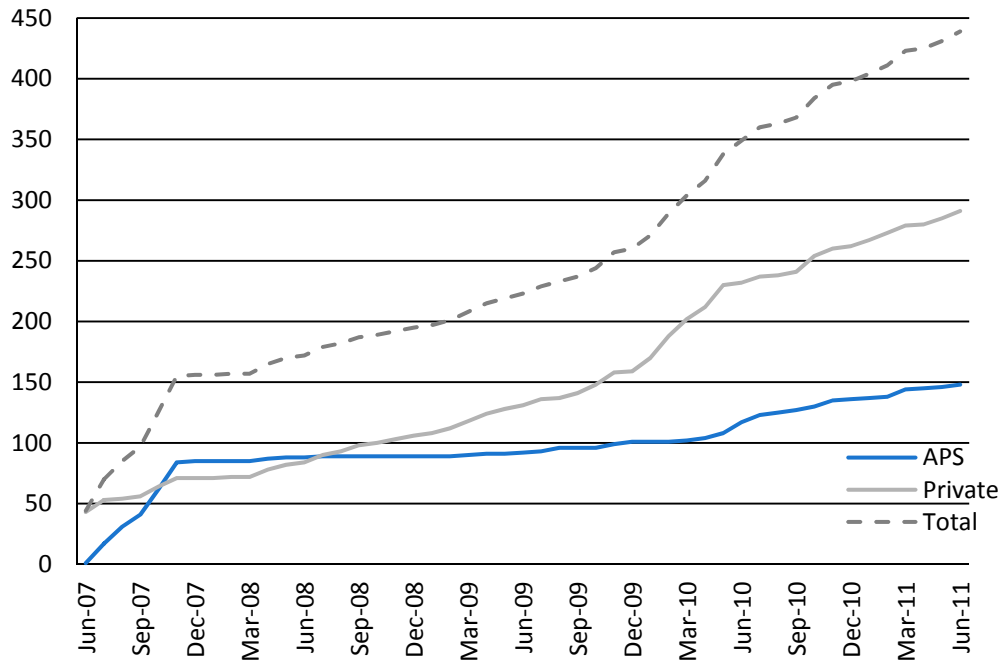
Source: ANAO analysis of Finance data. (n=440)

Note: Excludes MUL1. Private includes Non-APS from other jurisdictions.

Gateway reviewer training

3.4   Training of Gateway reviewers is provided through an accredited training provider based in Victoria. Separate one-day and half-day courses are available for Review Team Members (RTMs) and Review Team Leaders (RTLs) respectively. The Gateway Unit worked closely with the provider to modify course material developed for the Victorian jurisdiction to reflect the Australian Government environment, whilst maintaining the basic structure of the course. Gateway Unit staff present a portion of the material and participate in the training session.

3.5   As at 30 June 2011, about 85 per cent of reviewers on the database (375 of 440) were recorded as having participated in this training. Of the 66 registered reviewers that had not been trained, 23 were APS reviewers and 43 were private sector reviewers. A total of 56 reviewers (almost one in every

six trained reviewers) had also attended RTL training, of which eight were APS officers. All reviewers that had conducted Gateway reviews had been trained.

3.6 Training of potential Gateway reviewers from the APS is funded by Finance. Available records indicate that the number of APS staff trained as Gateway reviewers each year trended down during the first few years but increased significantly during 2010–11, as illustrated in Figure 3.2. This was consistent with the increased registration of APS reviewers that occurred from the start of 2010 (see further at paragraph 3.22). Private sector reviewers are responsible for meeting the cost of their own Gateway training.

3.7 Course feedback is monitored by the Gateway Unit. During 2008–09, 2009–10 and 2010–11, Gateway training was rated overall as 'very effective' by 98 per cent to 100 per cent of course participants.

RTL technical forums

3.8 Technical training for RTLs has also been provided by the Gateway Unit, including most recently in mid-2010. A discussion forum was also held in September 2009 to familiarise RTLs with the revised RAG definitions and report templates, in addition to discussing the second edition of the lessons learned report.

Figure 3.2

APS Gateway reviewers trained during the years 2006–07 to 2010–11
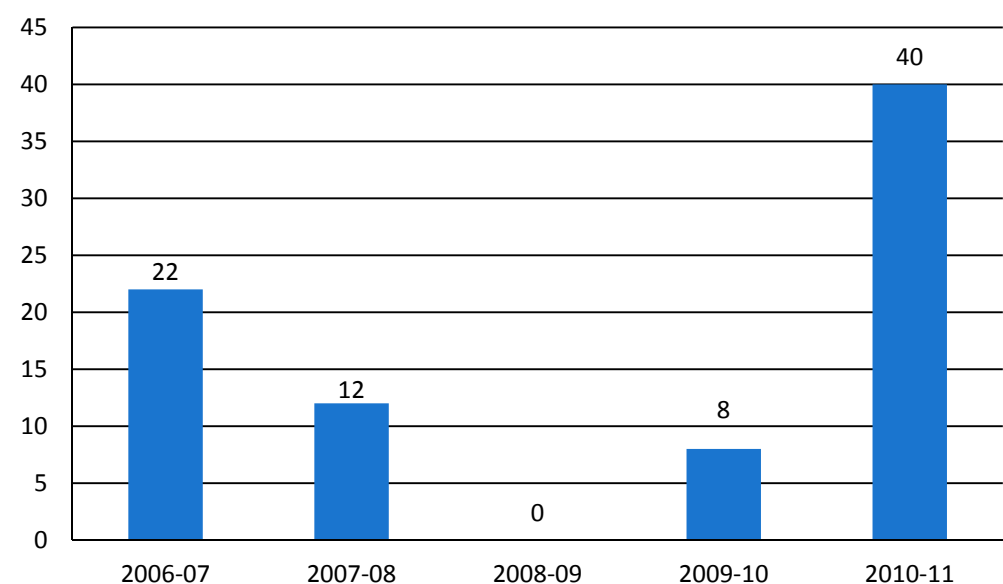
Source: ANAO analysis of Finance data.

Selection of Gateway reviewers

3.9   The Gateway Unit consults with the sponsoring agency for each review to identify an optimum mix of expertise amongst members of the review team. Consideration is given to factors such as:

• potential conflicts of interest or other sensitivities;

• relevant knowledge, skills and experience;

• feedback regarding performance on previous reviews from Senior Responsible Officials (SROs) and other review team members;

• a degree of continuity of review team membership;

• a mix of public and private sector reviewers; and

• the level of security clearance required for the project.[68]

3.10   The Gateway Reviewer database was purpose-built in 2006 and is the primary source for collecting and storing reviewer information, including

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68   Finance, *Gateway Review Process – Reviewer Management Strategy*, January 2010.

applications and curriculum vitae, availability, security clearance, skill sets and feedback from agencies. Gateway Unit staff can search the database using a range of criteria to identify suitable private and public sector reviewers. The process for engaging reviewers is outlined in Figure 3.3.

Figure 3.3

Gateway reviewer engagement process

Step 1   Review dates, desired skills and experience, and security clearance requirements are discussed and agreed with the sponsoring agency of the project being reviewed.

Step 2   Database is searched to identify potential reviewers to match the requirements. A preferred list of four reviewers (one RTL and three RTMs) are shortlisted, with the balance listed as potential alternatives should any of the preferred reviewers not be available.

Step 3   The shortlist comprises an appropriate mix of skills and experience, while aiming to provide a balance of continuity and new team members and a 50:50 ratio of public and private sector members.

Step 4   The preferred reviewers are contacted to determine their tentative availability.

Step 5   The list of all potential reviewers is reviewed and approved by the Gateway Unit Branch Head to eliminate any known conflicts or sensitivities.

Step 6   The approved list is sent to the sponsoring agency for approval/advice of any conflicts or sensitivities.

Step 7   The preferred reviewers are approached to complete and submit either a Request for Proposal (private sector) or Request for Participation (public sector).

Step 8   Returned proposals are considered for value for money and to confirm that the reviewer holds the appropriate insurance and security clearances.

Step 9   The Finance Deputy Secretary and/or Division Head is informed, via email, of all proposed review teams for each Gateway review.

Step 10   An FMA Regulation 9 submission is developed for the relevant delegate approval to engage the reviewers.

Step 11   A Letter of Agreement (private sector) or Letter of Engagement (public sector), including Confidentiality Deed Poll and schedules are sent to the approved review team for completion.

Source: ANAO analysis of Finance records.

3.11   The ANAO examined a random sample of 23 reviews conducted during the period July 2008 to December 2010 to assess whether the Gateway processes for selecting and engaging reviewers were operating as intended. While adequate supporting documentation was maintained to demonstrate that all requirements had been met, 15 reviews (65 per cent) did not show that daily rates for some or all private sector reviewers had been included on the lists of potential reviewers approved by the Gateway Unit Branch Head.

In these circumstances, it is difficult to assess how the delegate was satisfied that value-for-money was being obtained.[69]

3.12 The Gateway Unit attaches a copy of its probity and procurement risk assessment[70] to the file for each Gate review. In response to an ANAO observation that a number of sections of the relevant form appeared to be outdated, Finance advised the ANAO that the risk assessment form was comprehensively reviewed and updated in August 2011, with annual reviews planned in future.

Registered reviewer utilisation

3.13 A total of 178 reviewers had conducted Gateway reviews over the five years ended 30 June 2011.[71] There were 294 private sector/other jurisdictions reviewers registered on MUL2, of which 71 reviewers (about 25 per cent) had undertaken Gateway reviews and 223 reviewers (75 per cent) had not undertaken any reviews for the Gateway Unit. In comparison, about 55 per cent of APS registered reviewers had undertaken reviews. Table 3.1 shows the utilisation of APS registered reviewers by classification level.

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[69] The FMA Regulation 9 form used by the Gateway Unit states that 'the sourcing method is considered appropriate and to be achieving value for money' and that 'The reviewers recommended were selected as the preferred providers for these services as their proposals, taken together as a team, represent the best available fit with our business needs and value for money for the Commonwealth'.

[70] Finance, *Probity and Procurement Risk Assessment - Establishing Review Teams for Gateway Reviews of projects subject to the Gateway Review Process*, February 2010. The assessment aims to identify, quantify and assess the likelihood and consequences of risks associated with the procurement of reviewers for the Gateway Process. Identified risks and strategies to prevent, mitigate and manage these risks are documented in the risk assessment.

[71] Of these, 152 were on the current database and 26 were not, comprising: 17 private sector reviewers registered on MUL1 who did not re-register on MUL2; six APS reviewers; and three reviewers from other public service jurisdictions.

Table 3.1

Utilisation of Gateway registered APS reviewers – as at 30 June 2011

Classification	Used	Not used	Total	%
Executive Level 1	0 (0%)	4 (100%)	4	3
Executive Level 2	48 (54%)	41 (46%)	89	61
SES Band 1	27 (63%)	16 (37%)	43	29
SES Band 2	6 (60%)	4 (40%)	10	7
Total	**81 (55%)**	**65 (45%)**	**146**	**100**

Source: ANAO analysis of Finance data.

Note: Excludes 26 reviewers not registered on the current database, of which four were Executive Level 2s, two were SES Band 1s and 20 were reviewers from the private sector or other jurisdictions.

Mix of private and public sector reviewers

3.14 In 2005, the initial planning for the implementation of Gateway reviews in Australian Government entities envisaged a progressive build up of APS participation in review teams to a level that would be maintained from 2008–09 onwards, as outlined in Table 3.2. The stated goal was to develop a large number of reviewers with diverse skills in the APS to reduce the reliance on reviewers from other jurisdictions and the private sector.

Table 3.2

Planned Gateway review team membership (October 2005)

	Review Team Leader		Review Team Members		APS Target
	Private Sector	APS[2]	Private Sector	APS	Per cent
2005–06[1]	1	-	2	1	25
2006–07	1	-	1	2	50
2007–08	Two in three	One in three	1	2	58
2008–09 onwards	Two in three	One in three	-	3	83

Source: ANAO analysis of Finance data.

Note 1: No reviews were conducted in 2005–06. The first Gateway reviews were undertaken in August 2006.

Note 2: Only one review has been led by an APS reviewer (see paragraph 3.23).

3.15 From the outset, APS reviewer participation has been lower than planned. Consequently, in mid-2007, March 2008, and mid-2009, the Gateway Unit revised its assumptions regarding the level of APS participation in reviews (see Table 3.3).

Table 3.3

Revisions to planned APS membership of review teams

	2007–08		2008–09		2009–10		2010–11	
	Plan	Met	Plan	Met	Plan	Met	Plan	Met
	%		%		%		%	
Original assumptions	58	✗	83	✗	83	✗	83	✗
Mid-2007 revisions	33	✓	35	✗	35	✓	35	✓
March 2008 revisions			25	✗	25	✓	25	✓
Mid-2009 revisions					50	✗	50	✗

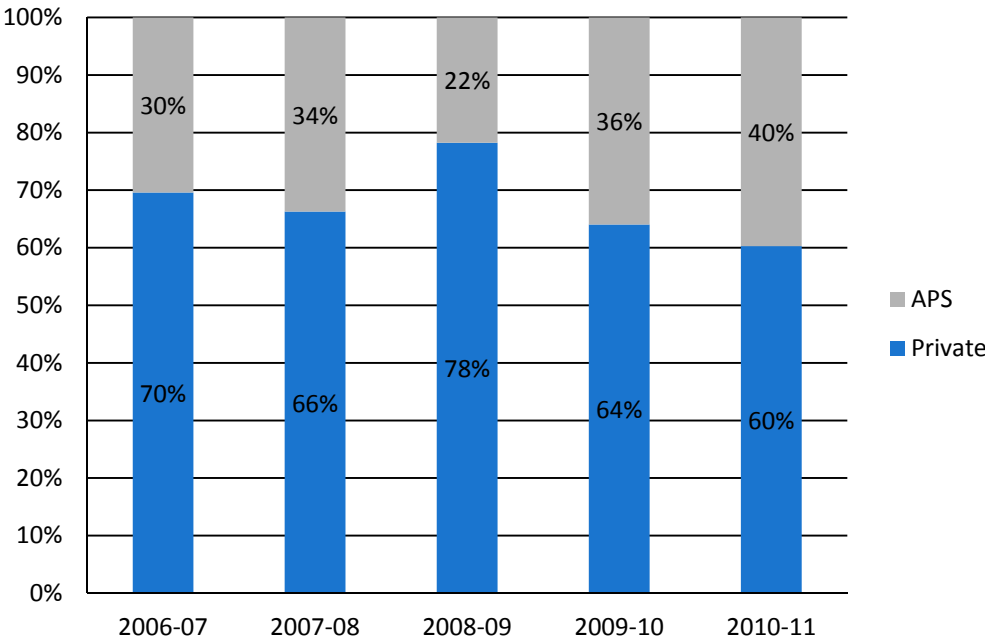Source: ANAO analysis of Finance data.

3.16   Although the Gateway Unit has aimed since 2009–10 for a revised team composition averaging two APS and two private sector reviewers, this target has also not been achieved.[72] Figure 3.4 shows the results over the first five years of Gateway reviews.

3.17   Victoria, Western Australia and Queensland also have two public and two private sector reviewers; New Zealand and Brisbane City Council have a ratio of 1:3; and the UK has a ratio of 3:1.

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[72]   Finance has subsequently described the 2:2 ratio of public to private sector reviewers as 'an aspirational target'.

Figure 3.4

APS and private sector reviewers for the years 2006–07 to 2010–11

Source: ANAO analysis of Finance data.

Strategies to increase recruitment of APS reviewers

3.18   First-hand government experience through APS participation in Gateway reviews is intended to contribute to the broader development of project management capability in the public service. Such an approach is in keeping with the identified need highlighted by the Australian Public Service Commission in successive State of the Service reports.

3.19   Prior to the formation of the Gateway Implementation Committee (GIC) in March 2006, training of public sector reviewers was undertaken by Finance and the Cabinet Implementation Unit. This resulted in a small pool of accredited public sector reviewers able to participate in the early reviews. However, the private sector provided the majority of review team members during the formative years.

3.20 The Gateway Unit, with assistance and oversight from the GIC, managed the initial sourcing and training of Gateway reviewers in 2005–06. The initial call for review team members drawn from the APS was made via a letter from the Secretary of Finance to agency heads on the Management Advisory Committee.[73] This letter provided background and advice on Gateway and requested nominations from agency heads for suitable staff to be trained as Gateway reviewers.[74]

3.21 The Gateway Unit has advised the ANAO that the greatest obstacle for maintaining high APS reviewer rates has been the competing demand for using public sector reviewers due to their reluctance or inability to be drawn away from their positions for more than one review in a calendar year. This is especially the case for Senior Executive Service reviewers.

3.22 In early 2010, the Gateway Unit implemented processes to boost APS participation in Gateway reviews. This involved a multi-tiered strategy of engagement with agency heads, SROs, and Project Management Offices as well as presentations to various forums including Chief Financial Officers, Chief Information Officers, the Australian Institute of Project Management and the Canberra Evaluation Forum. Figure 3.5 shows the number of APS reviewer registrations by month, including the notable increase in registrations from around March 2010 following the Gateway Unit's participation promotion activities. However, as was illustrated in Figure 3.4, the proportion of reviewers drawn from the APS remained below 50 per cent in 2010–11.

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[73] Agencies were advised that the benefits for public sector officials participating in Gateway reviews include: unique and strategic learning opportunities to work across government and contribute their relevant experience to provide assurance to an important project; and broader exposure to better practice techniques applied throughout the lifecycle of government projects, which they can apply back in their own agencies.

[74] APS staff were to be at Executive Level 2 or above to ensure an appropriate level of experience and authority in a Gateway review team.

Figure 3.5

APS reviewer registrations by month for the period June 2007 to June 2011
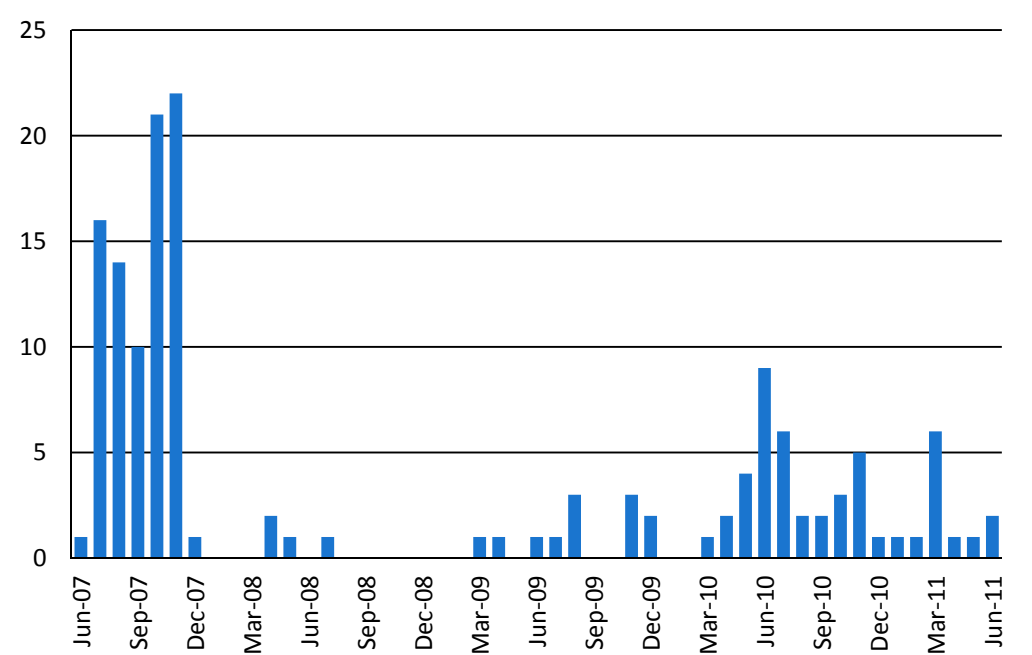
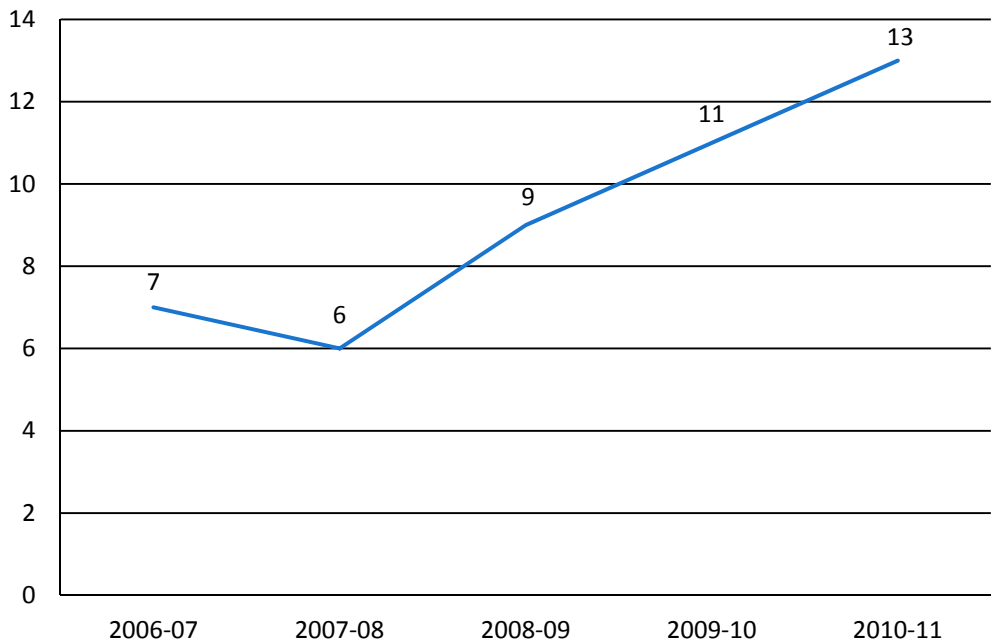Source: ANAO analysis of Finance data.

Review team leader utilisation

3.23   Gateway guidance outlines that the RTLs are fundamental to the quality of the reviews. They are the member of the review team engaged for their expertise and experience, who has broader responsibility for managing the Gateway review and being the key point of contact for the Gateway Unit and the sponsoring agency's SRO. There is a relatively small cohort of RTLs. However, the number of RTLs that undertook Australian Government Gateway reviews increased each year, as shown in Figure 3.6. Only one review has been led by an APS officer.[75]

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[75]   Notwithstanding that the majority of RTLs have provided feedback over the years indicating that individual APS members of their teams have potential to become RTLs. For example, all APS staff that undertook reviews during 2010–11 were considered to have the potential to become RTLs.

Figure 3.6

**Number of RTLs utilised for the years 2006–07 to 2010–11**

Source: ANAO analysis of Finance data.

3.24   The number of reviews each RTL has conducted in the RTL role[76] is illustrated in Figure 3.7. In this context, two of the 20 RTLs in the Australian Government Gateway reviewer pool have led more than one-quarter of all reviews. Nevertheless, the reliance on any individual RTL has halved since 2006–07, as illustrated in Figure 3.8.

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[76]   Many RTLs have also conducted reviews in the RTM role.
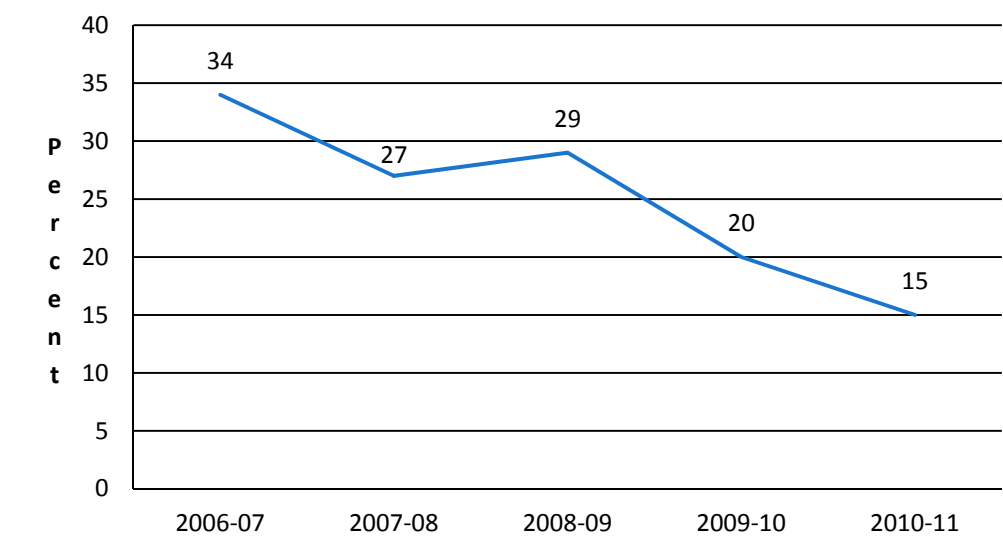
Figure 3.7

Total number of reviews undertaken as RTL
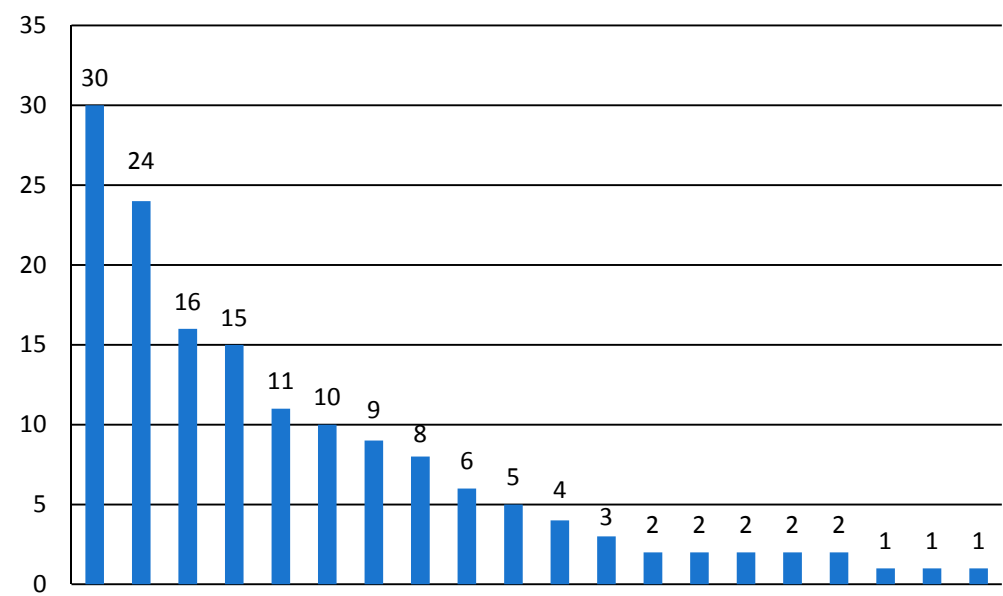
Source: ANAO analysis of Finance data.

Figure 3.8

Maximum reliance on any individual RTL

Source: ANAO analysis of Finance data.

Feedback on RTL and RTM performance

3.25   ANAO analysis indicates that there was continuity of the SRO in about 38 per cent of projects that have had two or more Gate reviews. Similarly, around 36 per cent of these projects had continuity of the RTL across all Gate reviews. However, 87 per cent of the projects that have had two or more Gate reviews had at least some continuity in RTLs. While no projects had continuity of the entire review team, about 82 per cent had at least one continuing member from one Gate to the next. Overall, 97 per cent of subsequent Gate reviews undertaken had at least one member who had participated in an earlier Gate review for the same project.

3.26   In general, SROs have reported to Finance that they have been very satisfied with the quality of the review teams. Consistently over 95 per cent of SROs reported to Finance that the RTL fulfilled their role effectively and the proportion of SROs that considered the review team's approach was appropriate (in terms of style, method and pace) ranged from 87 per cent to 97 per cent (see Appendix 2).

Conclusions

3.27   The success of the Gateway Review process depends to a significant extent on the qualities of the persons engaged to lead and undertake individual reviews. In the majority of cases, Gateway reviewers from both the public and private sector have been selected from a list of suitably qualified and experienced persons recorded in a database developed and maintained by the Gateway Unit. Potential reviewers from the private sector are able to apply at any time to be included on the database, and APS staff are also able to apply to be registered.

3.28   Training of Gateway reviewers is provided through an accredited training provider, with the course material based on that developed for the Victorian Government. As at 30 June 2011, some 85 per cent of reviewers on the Gateway Unit database were recorded as having participated in this training, with almost all participants in recent years rating this training as 'very effective'.

3.29   A high quality pool of suitably qualified and trained RTLs and RTMs is integral to the success of Gateway. In selecting the composition of individual Gateway review teams, including the team leader, the Gateway Unit balances a range of appropriate considerations, including the experience and expertise of potential candidates and the views of the sponsoring agency for the project.

Agencies (through the SRO) have reported to Finance a high level of satisfaction with the quality of the review teams and leaders.

3.30   To date, there has been significant reliance on private sector reviewers, with targets for participation by APS staff not being met.[77] In addition, to date, only one review has been led by a member of the APS, and there has been a high degree of reliance on a small number of private sector participants to lead individual reviews. In recent years, Finance has revised its targets for APS participation, and taken steps to increase the number of APS staff registered on the database as potential Gateway reviewers. APS staff participation on Gateway reviews increased in both 2009–10 and 2010–11, although to a level still below the current target.

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[77]   Participation of reviewers from both the public and private sectors was expected to enhance the prospect that an adequate range of skills and experience would be brought to reviews, with the participation of APS staff also expected to contribute to the development of project management capability across FMA Act agencies.

4.   Conduct of Gateway Reviews

This chapter examines the conduct of Gateway reviews in the Australian Government. It also examines the Gateway report ratings and the cost of Gateway reviews.

Introduction

4.1   The Gateway Review Process is a registered trademark of the UK OGC and is used by both private sector and public sector entities in various jurisdictions worldwide. Gateway is based on 14 principles grouped under sections covering: commitment and leadership; Gateway delivery and best practice; and the style of Gateway reviews.[78] As previously mentioned, the Australian Government and the state governments of Victoria, NSW and Queensland are all licensed by the OGC to use the Gateway methodology. Accordingly, because the Gateway process is used with permission, there is a relatively high degree of standardisation in the application of Gateway across jurisdictions.

4.2   The ANAO examined how the Gateway reviews had been conducted, including whether reviews were carried out in accordance with relevant guidance.

4.3   The Department of Finance and Deregulation (Finance) has identified a range of benefits that may be available to FMA Act agencies that participate in Gateway Reviews (see Table 4.1).

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[78]   OGC Gateway–*A Guide to becoming an Authorised User (International), January 2010, p.8.*

Table 4.1

Benefits of Gateway to FMA Act agencies

- Better alignment of service delivery with Government's desired outcomes and available funds.
- Access to the knowledge of highly experienced peers.
- Improved accuracy in planning.
- Improved allocation of skills and resources.
- Improved procurement and contract management processes.
- Improved risk management.
- Reduced time and cost overruns.
- Increased supplier confidence.
- Greater assurance that the project can progress to the next stage of development or implementation.
- Dissemination of better practice techniques across the public sector, leading to enhanced project management awareness and skills.
- Enhanced agency awareness, responsibility and accountability through open, targeted and honest communication.

Source: Department of Finance and Deregulation, FMG 20, *Guidance on the Gateway Review Process–A Project Assurance Methodology for the Australian Government*, August 2006, p.15.

Characteristics of Gateway reviews conducted to 30 June 2011

4.4   Over the first five years of operation (to 30 June 2011) of the Gateway Review Process in the Australian Government, a total of 150 Gateway reviews were completed. These reviews related to 46 'high risk' projects estimated to cost in aggregate in excess of $17.6 billion at the time the projects commenced. Figure 4.1 shows the number of reviews conducted each year for new and ongoing projects.[79]

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[79]   An additional four reviews were commenced but not completed during November 2008, June 2010 and September 2010 (two reviews) respectively.

Figure 4.1

Gateway reviews of new and ongoing projects for the years 2006–07 to 2010–11
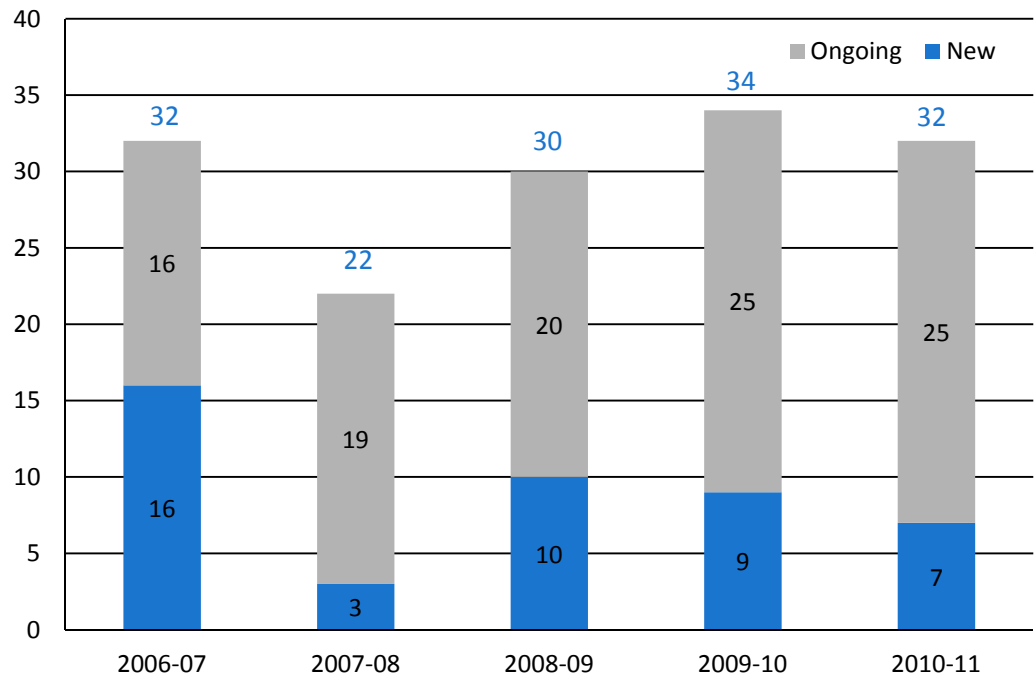
Source: ANAO analysis of Finance data.

4.5   As illustrated in Figure 4.2, the projects that have been subject to Gateway reviews have been predominately information communications and technology (ICT) projects (74 per cent of all projects). Gateway has also been applied to a number of infrastructure projects (22 per cent of all projects) and procurement projects (four per cent of all projects).

Figure 4.2

Gateway projects by type for the period 1 July 2005 to 30 June 2011
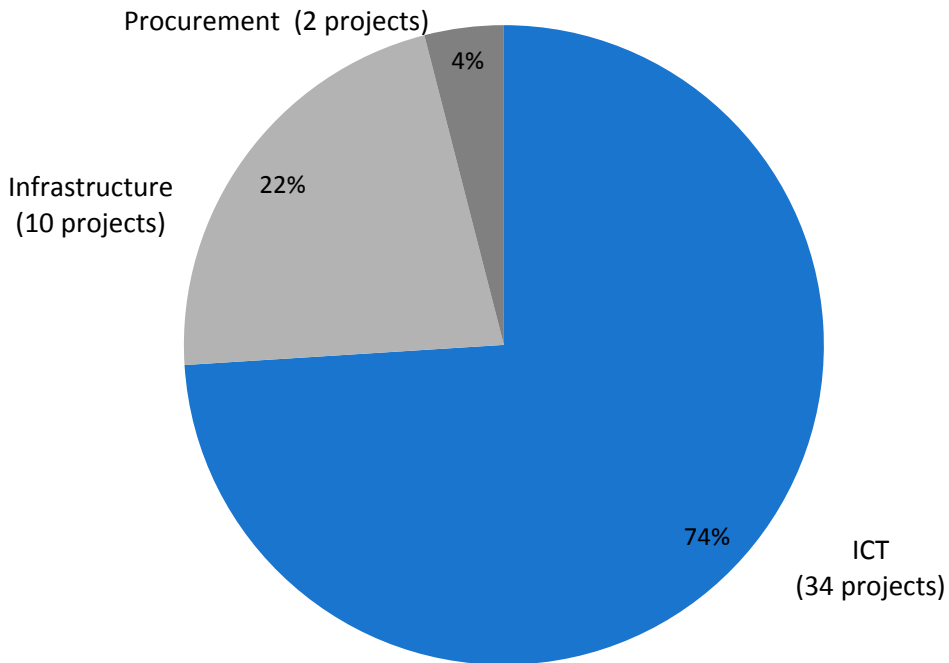
Source: ANAO analysis of Finance data.

4.6   The total number of Gateway reviews conducted by Gate type during the five year period is shown in Table 4.2. Figure 4.3 shows the number of Gateway reviews conducted by Gate type[80] each year.

Table 4.2

Reviews by Gate number for the period 1 July 2005 to 30 June 2011

	Gate 0: Establish Business Need	Gate 1: Develop Business Case	Gate 2: Develop Procurement Strategy	Gate 3: Investment Decision	Gate 4: Readiness for Service	Gate 5: Benefits Realisation
Number	19	37	35	26	19	14
Per cent	13	25	23	17	13	9

Source: ANAO analysis of Finance data.

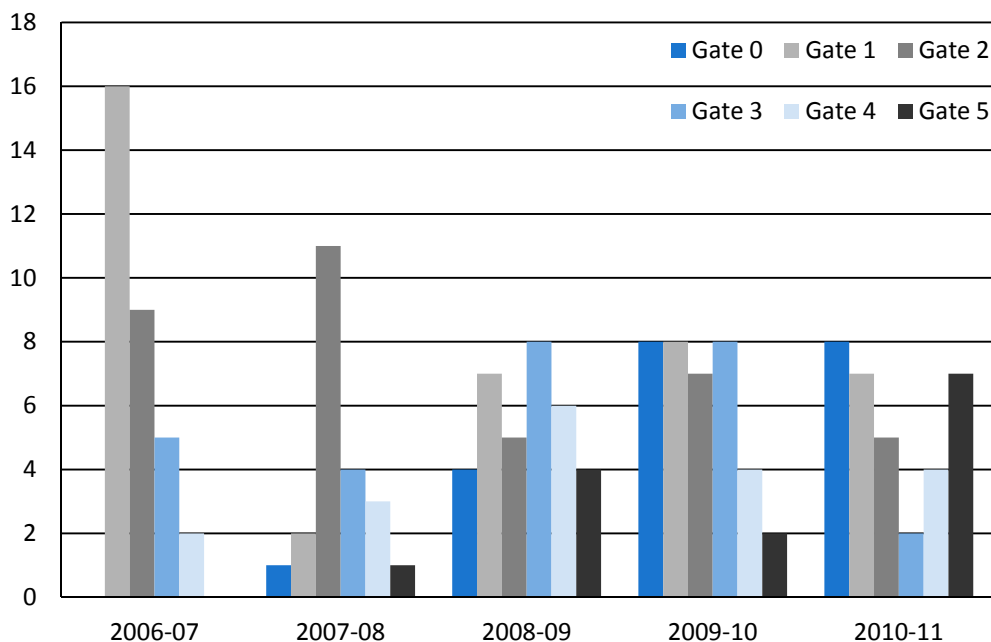---

[80]   Figure 1.1 in Chapter 1 provides a description of each Gate.

Figure 4.3

Gate reviews by type for the years 2006–07 to 2010–11

Source: ANAO analysis of Finance data.

4.7   The Gateway Review process was completed for nine projects as at June 2011. Two projects were completed in 2009–10 and seven projects were completed in 2010–11. A further eight projects are expected to complete their involvement in Gateway during 2011–12. The average duration from the first Gate review to the final Gate review was 36 months, ranging from approximately 21 months to 58 months.

4.8   Finance's assessment of the nine projects that have completed the full suite of Gateway reviews was that six projects were on time, on budget and delivered the expected outcomes. Only two of these projects consistently received green reports. Of the remaining three completed projects:

- one was completed ahead of schedule, within the revised budget and delivered reduced outcomes compared with those expected when funding had been approved. This project had received two amber reports, had cancelled one scheduled review (that was to repeat a Gate) and deferred another review (that repeated a Gate). Two reviews noted that previous review recommendations had been partially implemented; and

- two projects were delivered late, with one of the late projects only partially delivering on the outcomes expected when funding had been approved:

  – the first project received four amber reports, repeated one Gate and deferred another Gate review. Four reviews noted that previous recommendations had been partially implemented; and

  – the second project received one red and eight amber reports, repeated one Gate once and another Gate three times, and deferred one review for this Gate five times. Five reviews noted that previous review recommendations had been partially implemented.[81]

4.9 The extent of the delays, cost overruns and shortfall in delivery of outcomes in completed Australian Government projects that are subject to Gateway is not routinely quantified by Finance. Now that there is a growing pool of projects that have completed the Gateway process there would be benefits in Finance periodically examining the extent to which participation in Gateway has made a positive contribution to the outcome of individual projects. Such analysis would, ideally, include quantification of any under/over runs in relation to the project's original cost and schedule, as well as any under or over delivery of the project's expected deliverables and benefits.

4.10 In this context, a recent investigation undertaken by the Victorian Ombudsman in consultation with the Victorian Auditor-General found that all 10 major IT projects, some of which were subject to Gateway, examined in the Victorian public sector failed to meet expectations and ran over budget. In addition to being delayed, on average the projects will have more than doubled in cost by the time they are completed. In many cases, delays were a significant cause of cost overruns. The report concluded that the effectiveness of the Gateway review process in that state was limited by its reliance on agencies engaging in and being supportive of the process, which often was not the case. The concerns identified included that whilst some review recommendations were addressed, others were ignored and that some

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[81] The interrelated issues of reviews being deferred, rescheduled and/or repeated are examined at paragraphs 4.11, 4.18 and 5.39. Paragraphs 5.17 to 5.21 examine agency action being taken in response to Gateway review reports.

agencies regularly continued to progress projects despite receiving red or precautionary amber lights.[82]

Combined and repeated Gate reviews

4.11   Finance has advised agencies that combined or multiple Gate reviews may be scheduled where: added assurance is needed; there are points of particular concern; a project's lifecycle spreads over many years; or there are multiple roll outs or phases of delivery.[83] During the period December 2008 to December 2010, eight reviews were conducted as combined Gates.[84] Since Gateway commenced, 13 projects (18 reviews and two cancelled reviews) have involved repeated Gates (plus another four with repeated Gate reviews scheduled for 2011–12).

Timing of Gateway reviews

4.12   The scheduling of reviews is determined in consultation between the Gateway Unit and the sponsoring agency. This consultation is initiated in an assessment meeting held between the Gateway Unit and the SRO once the project has been identified for inclusion in the Gateway process.[85] Following completion of the first review, subsequent Gate reviews for projects commence when the sponsoring agency informs the Gateway Unit of its intention to proceed to the next phase in the project's lifecycle, in accordance with notification protocols established at the assessment meeting. It is also a common practice adopted by many (but not all) Gateway review teams to include a recommendation on the timing of the next review in their Gateway report.

4.13   The timing of initial Gate reviews for most projects is linked to the Budget process and timetable, including the two pass approval process in some projects. Gate 0 – Business Need reviews are generally required to be

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[82]   See further in Victorian Ombudsman, in consultation with the Victorian Auditor-General, *Own motion investigation into ICT-enabled projects*, November 2011.

[83]   Finance, *Gateway Review Process–Overview for the Senior Responsible Official*, Nov 2009, p.3. FMR 7 also sets out the rationale for repeating Gates. Finance, *Gateway Review Process–A Handbook for Conducting Gateway Reviews*, August 2006, p.11.

[84]   There were no combined Gate reviews before or after this period. Two reviews combined Gates 0 and 1; three reviews combined Gates 1 and 2; two reviews combined Gates 2 and 3; and one review combined Gates 3 and 4. Combined reviews had the same duration as single Gate reviews. The OGC does not support combined Gate reviews.

[85]   Finance, FMG 20, op cit, p.33.

completed in the period November to February and Gate 1 – Business Case reviews by or around the time of the Budget in May each year.

4.14 The Gateway Unit generally requires about four to six weeks from the time of the assessment meeting to arrange a review. A planning meeting is usually held around two or three weeks before the onsite review commences.[86]

Duration between Gateway reviews

4.15 For those projects where more than one Gate review had been conducted, the median period between the subsequent review and its predecessor was seven months. The maximum period between reviews was 30 months (see Figure 4.4).

Figure 4.4

Number of months between Gateway reviews
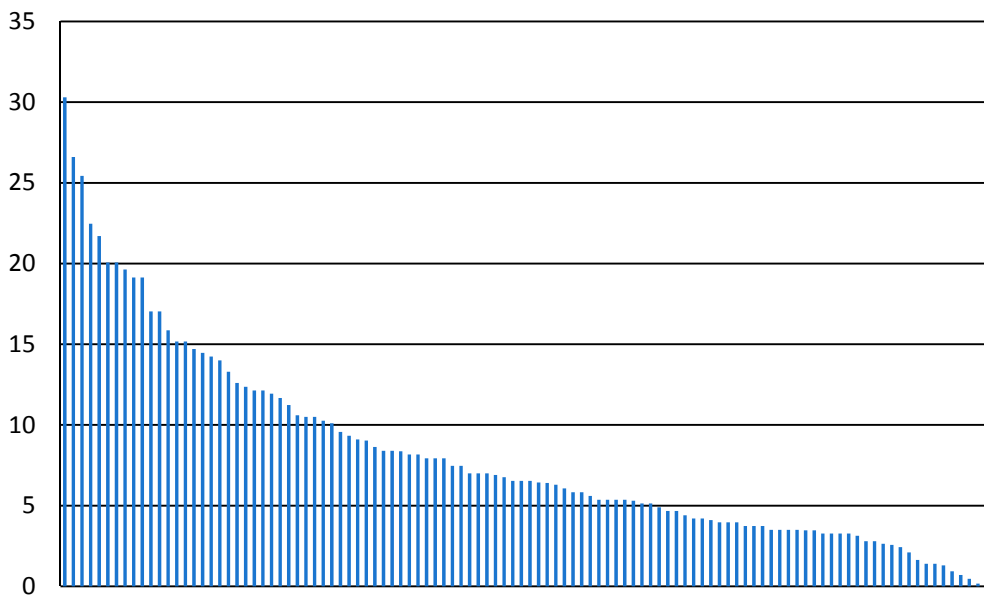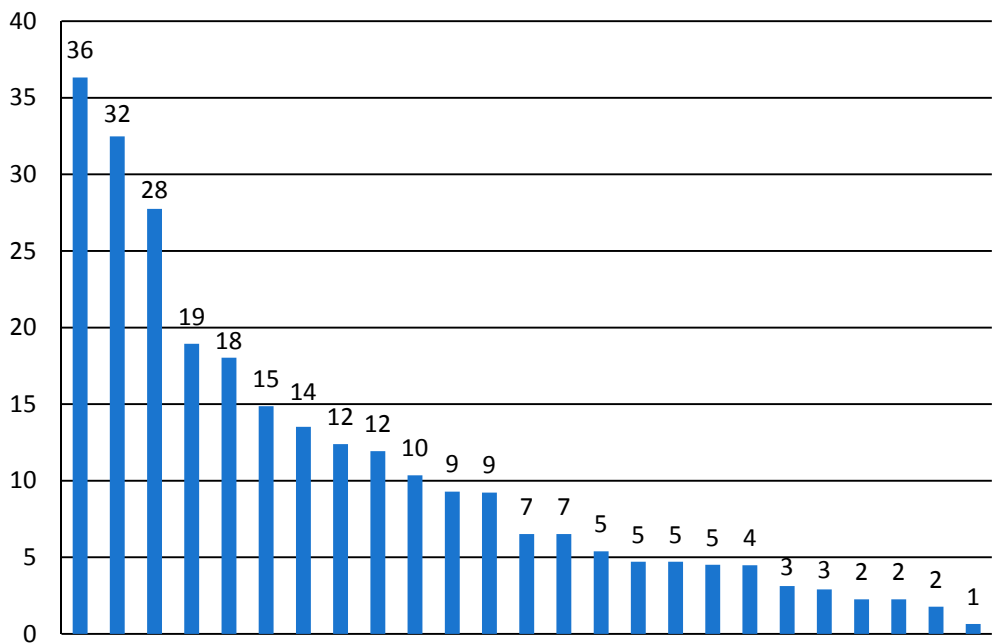

Source: ANAO analysis of Finance data. (n=108)

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[86] The role of the assessment and planning meetings is outlined in paragraph 1.10 in Chapter 1. Planning meetings held ranged from four days up to almost 10 weeks before the onsite review. Just over one in every three reviews had at least two weeks duration between the planning meeting and the commencement of the onsite review.

4.16   Although a Gateway review had been conducted in June 2011 for four of the then 29 ongoing projects, nine projects had not had any Gate reviews within the previous 12 to 36 months (see Figure 4.5).

Figure 4.5

Number of months since last Gateway review (as at 30 June 2011)

Source: ANAO analysis of Finance data.

4.17   The duration between reviews has tended to increase as each project progresses through the sequence of Gates, as illustrated in Figure 4.6. For projects that had undertaken a Gate 0 – Business Need review, the median was eight months until the Gate 1 – Business Case review. The median durations between reviews for Gate 2 – Procurement Strategy review, Gate 3 – Investment Decision review, Gate 4 – Readiness for Service review and Gate 5 – Benefits Realisation review, were four months, six months, seven months and 15 months respectively.[87]

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[87]   This analysis excludes projects awaiting reviews (see Figure 4.5).

Figure 4.6

Months between reviews, by Gate
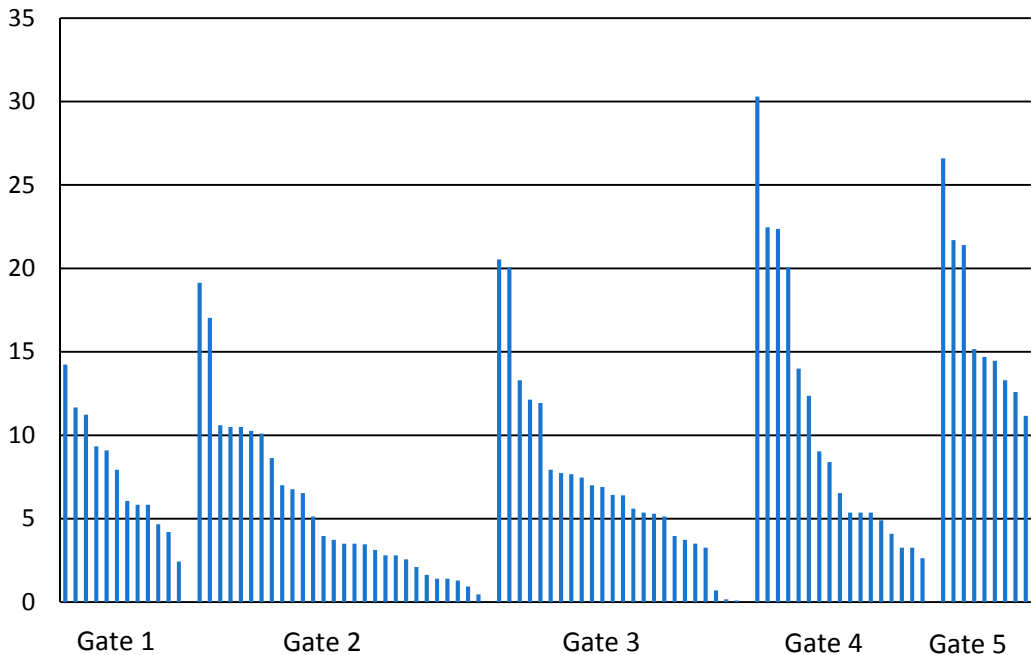
Source: ANAO analysis of Finance data.

Deferred and rescheduled reviews

4.18   Gateway Unit records of rescheduled reviews are not consolidated and there is a risk that they are not comprehensive. Nevertheless, the ANAO's analysis of available data for the years 2005–06 to 2010–11 indicated that about one-third of all planned reviews were rescheduled. Some reviews were scheduled up to six times. Prior to the introduction in November 2008 of the Enhanced Notification process (discussed later in Chapter 5), deferral of reviews was relatively rare (about one in every 20 reviews). Subsequently, almost one in every two reviews has been deferred.

Cancelled reviews

4.19   Agencies are advised that where a review is cancelled by the sponsoring agency, the costs incurred by the Gateway Unit may be recovered

from the sponsoring agency. These costs include, but are not limited to, travel and accommodation costs and consultancy fees incurred by the review team.[88]

4.20   As indicated previously, four scheduled reviews were cancelled after the reviews had commenced. In each case the request to cease the review was initiated by the agency after the planning meeting had been held. The direct costs incurred by Finance for these reviews totalled about $26 000.[89] In view of the individual amounts involved (approximately $3600 to $10 000), Finance decided not to pursue recovery from the respective agencies.

Duration of onsite reviews

4.21   The onsite review component of Australian Government Gateway reviews is usually five days. However, as at June 2011, there had been 14 reviews conducted in four days or less.[90] In April 2007, Finance also reported that some agencies that had been involved in the Gateway reviews conducted up to that time had commented that the Gate 2 – Business Case reviews could be shortened to four days.[91]

4.22   By way of comparison, the onsite review component in the United Kingdom, NSW and Victoria generally takes three to four days, one day less than Australian Government Gateway reviews. Review teams are also smaller in NSW and usually consist of three reviewers.

4.23   RTLs and RTMs provided mixed feedback to the ANAO regarding the duration of reviews. Generally, private sector reviewers considered that the length of reviews was appropriate, whereas APS reviewers more commonly suggested that the timeframe for at least some of the reviews could be shortened.

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[88]   Finance, *Overview for the Senior Responsible Official*, op cit, p.6.

[89]   Primarily private sector consultants' fees for the hours they had worked on the reviews up to the time of cancellation and associated travel and accommodation costs.

[90]   Two in 2006–07, three in 2008–09, three in 2009–10 and six in 2010–11. Excludes combined Gate reviews.

[91]   Finance, *Report on the Implementation of the Gateway Review Process, 1 August 2006 to 31 March 2007*. At that time mostly only Gate 1 and Gate 2 reviews had been conducted. Only four of the 28 Gate 2 reviews conducted since April 2007 had a duration of four days.

RAG ratings of Gateway reports

4.24 Each Gateway review report is expected to outline the review team's assessment of progress against the approved project schedule and budget.[92] As may be expected during the early stages of project implementation (the majority of reviews conducted to date have been for early Gates), the number of projects experiencing budget issues was relatively low. However, about one in every four projects was reported to be behind schedule at the time of the Gate review (see Table 4.3).

Table 4.3

Projects on schedule and budget at the time of Gateway review

Project is tracking	On Schedule		Within Budget	
	Number	**%**	**Number**	**%**
Yes	40	30	62	46
No	35	26	9	7
Not stated	59	44	63	47
Total	**134**	**100**	**134**	**100**

Source: ANAO analysis of Finance data.

Note: Excludes Gate 0 reviews. 'Yes' includes cases where the schedule or budget was revised. 'Not stated' includes cases where the Gateway review team was unable to form an opinion (for example, where budget or actual expenditure was unknown).

4.25 As noted in Chapter 1, in mid-2009 the Gateway report rating approach was changed from assigning ratings according to how urgently the review team considered the review findings needed to be addressed, to a more 'forward looking' approach as to the team's confidence in the project being delivered in a timely and effective manner (a 'delivery confidence' rating).

4.26 Against this background, of the 150 Gateway reviews completed during the five years to June 2011, 16 reports (11 per cent) received a red rating, 68 reports (45 per cent) received an amber rating and 66 reports (44 per cent) received a green rating. Figure 4.7 shows the percentage of reports issued each year that received red, amber and green ratings respectively.

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[92]   In analysing the Gateway reports issued over the five years ended June 2011, the ANAO noted that many of the reviews conducted in the first few years of Gateway (using an earlier report template) did not specifically comment on whether the project was tracking on schedule and budget. However, it is reasonable to assume that this would have been reported on an exception basis.

Figure 4.7

Gateway Report RAG Ratings for the years 2006–07 to 2010–11
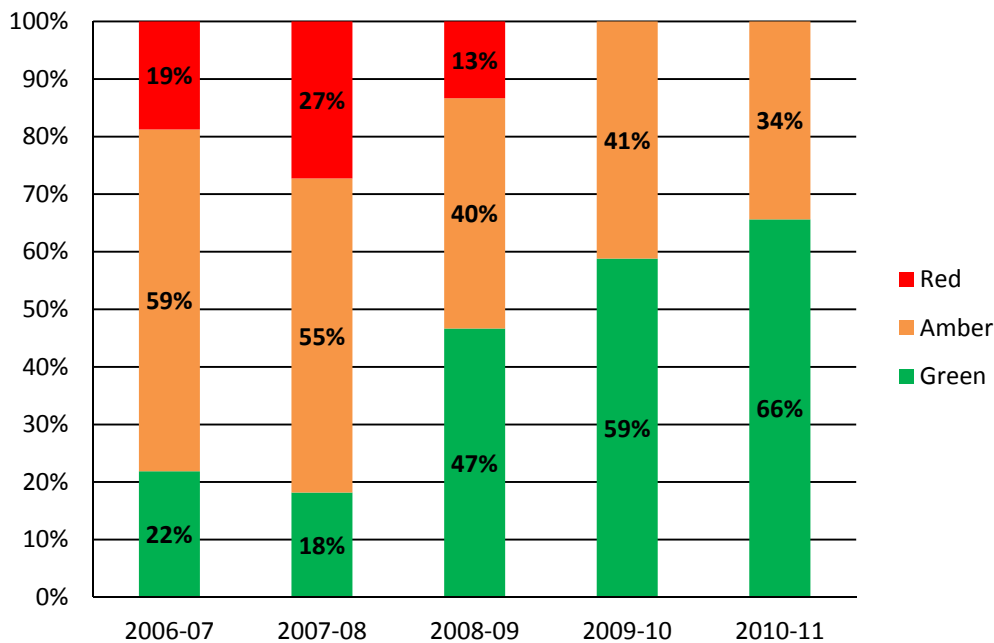
Source: ANAO analysis of Finance data.

4.27   Since the changes in the RAG rating definitions, the proportion of reports receiving green ratings has doubled to over 60 per cent (see Table 4.4). Although previously about one in every five reports received a red rating, there have been no red reports since the definitions were changed.[93]

Table 4.4

Report ratings before and after RAG definition changes

	Reports	Green	Amber	Red	Total
Original Definition (Urgency Rating)	Number	25	42	16	83
	Per cent	30	51	19	100
Revised Definition (Delivery Confidence Rating)	Number	41	26	-	67
	Per cent	61	39	-	100

Source: ANAO analysis of Finance data.

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[93]   Appendix 3 provides details of the RAG ratings for each Gate (0 to 5 respectively).

4.28   The ANAO understands that, over the life of the Gateway reviews conducted by Victoria, approximately 25 per cent of the reports received a red rating, 50 per cent received an amber rating and 25 per cent received a green rating (that is, the distribution of the report ratings reflects a normal bell curve). Reviews conducted by WA over the three years to October 2010 received ratings of red in 40 per cent of reports, amber in 52 per cent of reports and green in nine per cent of reports.[94]

4.29   The trend outlined in Figure 4.7 and Table 4.4 suggests that the management of ICT and infrastructure projects by FMA Act agencies has significantly improved in recent years. As well as suggesting better project management than in other jurisdictions applying the Gateway review methodology, such a trend is not consistent with the results and recommendations of the Gershon review, the APS Reform Blueprint[95] or successive State of the Service reports. In this respect, in November 2011 Finance commented to the ANAO that, as Gateway reports are specific to a single project, and its circumstances at a point-in-time, it would not be advisable for Gateway review results to be extrapolated to all FMA Act agency projects.

Costs of Gateway reviews

4.30   The total cost of the Gateway program to 30 June 2011 was $11 million including direct costs and administration; an average of $72 000 per completed Gateway review.[96] The total direct cost of conducting the Gateway reviews was approximately $5.4 million[97], bringing the average cost to about $35 750 per review. Over this period, the direct costs of individual reviews have varied widely, ranging from under $17 000 for one of the reviews conducted in 2011; to over $96 000 for one of the earliest reviews undertaken (see Figure 4.8).

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[94]   Government of Western Australia, Department of Treasury and Finance, Government Procurement, *Gateway Progress Report*, October 2010, p.4.

[95]   Advisory Group on Reform of Australian Public Administration, *Ahead of the Game: Blueprint for the Reform of the Australian Public Service*, March 2010.

[96]   Includes $770 000 set up costs in 2005–06. The average cost was $68 000 per review excluding set up costs.

[97]   Primarily fees for private sector consultants conducting the reviews. Also includes about $20 000 in reimbursements for direct costs incurred by APS review team members (such as interstate travel and accommodation to attend onsite reviews).

Figure 4.8

Direct costs of Gateway reviews for the years 2006–07 to 2010–11
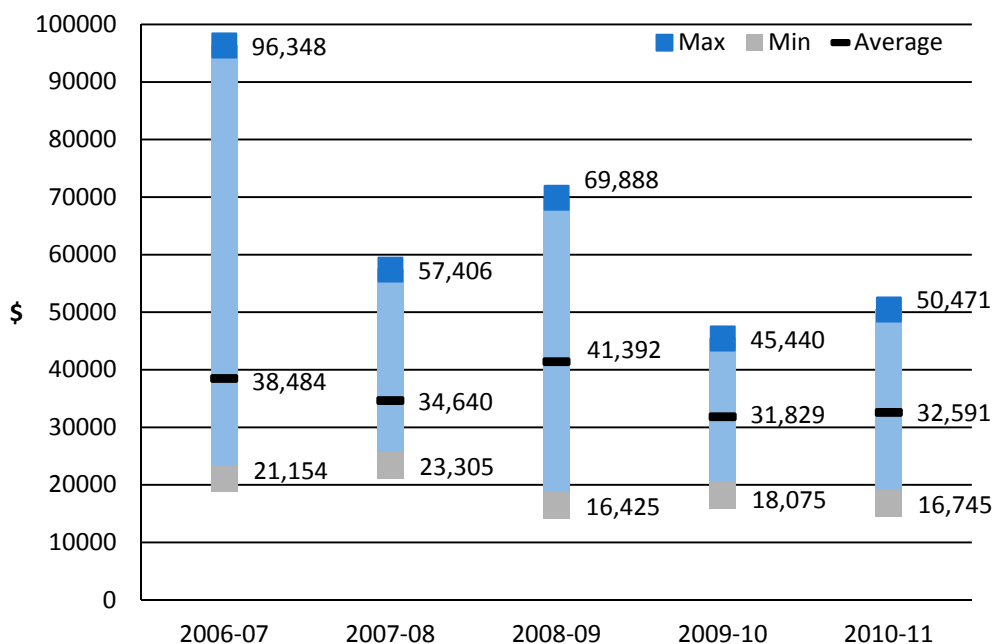
Source: ANAO analysis of Finance data.

4.31   As indicated in Chapter 1, Finance receives an appropriation to pay for and coordinate agencies' Gateway reviews. Agencies are not required to contribute to the costs of reviews.[98] The key decisions affecting Gateway funding were as follows:

- in November 2005, the then Government agreed to provide increased resourcing for Finance of $5.2 million over the forward estimates; lapsing on 30 June 2009[99], with the program to be reviewed in the 2009–10 Budget;

- in March 2008, the Government agreed to appropriate Finance $400 000 for each new project approved by Government to be subject to the

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[98]   Except that the Department of Defence is required to reimburse Finance for the costs of its Gateway reviews under a Section 31 arrangement.

[99]   In December 2011, Finance advised the ANAO that when the appropriation lapsed in June 2009, 'no future provision was made to Finance's base appropriation.' Finance also advised the ANAO that one reason for the change in funding methodology, to a per-project basis, was to better align funding with the number of projects subject to Gateway, compared to an annual appropriation set every four years.

Gateway Review process, commencing with projects approved in the 2008–09 Budget and beyond[100];

- in November 2008, the Government agreed the mandatory requirement for a Gate 0 – Business Need review be implemented from the 2009–10 Budget, with funding of $59 000 per review[101]; and

- in March 2010, the Government agreed to reduce Gateway project funding from $460 000 to $400 000, to 'pay for and coordinate Gateway reviews for agencies'.[102]

4.32 Based on the ANAO's analysis of Gateway Unit data, the actual direct costs of the 21 Gate 0 reviews conducted to June 2011 ranged from $16 425 to $53 530 and the average direct cost was $33 200, not much more than half the $59 000 appropriated. In March 2010, the Gateway Unit advised the Secretary of Finance that the Gate 0 review cost was estimated at a higher average cost than for other Gates, based on the assumption that:

> These reviews would have a shorter lead time and were likely to require a higher number of private sector reviewers (being commissioned during the budget process and at a time that coincides with the APS Christmas holiday season).

4.33 However, on average, Gate 0 reviews have cost less than other Gates and the assumptions made at the time do not reflect actual experience in conducting Gate 0 reviews.

4.34 Up to 30 June 2011, nine projects had progressed through all Gates and exited the Gateway review program. These projects had completed an average of 5.8 Gate reviews (or 5.6 reviews taking into account that two projects had combined two Gates into one review). One project had nine reviews, three projects had six reviews and five projects had five reviews. All nine projects

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[100] Based on 8.25 reviews per project at an average of $48 500 per review, including two planning days per Gate and three private sector reviewers at $1950 per day for five days. This allocation was to cover only the variable costs of engaging reviewers. The fixed costs of running the Gateway program (staffing, policy development, publications, systems and overheads), was to continue to be met from the existing $1.276 million operating budget from 2008–09 to 2011–12. In December 2011, Finance advised the ANAO that these costs are met from its general departmental funding.

[101] This brought the funding to $460 000 per project (rounded up by Finance) comprising $401 000 for Gates 1 to 5 and $59 000 for Gate 0, based on 9.25 reviews per project.

[102] Based on 8.0 reviews per project at $37 061 ($296 488), plus $103 512 per project, to cover the costs of 20 projects that commenced prior to the move to per-project funding with an estimated 33 'unfunded' reviews expected to be conducted over the next four years (12 in 2010–11, 12 in 2011–12, six in 2012–13 and three in 2013–14). These projections exclude Gateway Unit staffing and overheads, which are funded from the base annual departmental appropriation.

pre-dated the requirement for mandatory Gate 0 reviews. However, the direct cost to complete the suite of Gateway reviews ranged from $54 230 to $168 720 and the average cost was $89 386 per project. This suggests that the actual costs of completing Gateway reviews is well below the projected direct costs of $460 000 (and subsequently $400 000) used as the basis for providing Gateway funding to Finance.

4.35   In September 2007, the Gateway Unit had forecast that over 50 reviews would be conducted in 2007–08 (a 44 per cent increase over the original estimate). As it eventuated, the actual number of reviews conducted that year was 22. Over 60 reviews per annum were expected to be completed in 2008–09 and following years (an increase of over 100 per cent on the original estimate). Actual reviews in those years were 30, 34 and 32 respectively.

4.36   In December 2011, Finance advised the ANAO that it had contributed around $1.5 million in general departmental internal funding to Gateway over the years 2005–06 to 2010–11 to ensure that the objectives of Gateway are met. It also advised that:

> In allocating general departmental internal funding to Gateway, prospective forecasts are made at the beginning of the year. Assumptions are necessary regarding, for example, the volume of reviews in that year and consultancy expenses. However, these assumptions, which are made at the beginning of a financial year, would be expected to vary from actual experience. For example, over the last three years (approximately) there has been a Global Financial Crisis and two Federal elections – all of which has contributed to fewer New Policy Proposals being agreed to be subject to Gateway and delays in reviews (e.g. immediately prior to and during caretaker periods).

Conclusions

4.37   Within the Australian Government, up until 30 June 2011, a total of 150 Gateway reviews had been completed. These reviews related to 46 'high risk' projects[103] estimated to cost in aggregate in excess of $17.6 billion. The projects that have been subject to Gateway reviews have been predominately ICT projects (74 per cent of all projects).

4.38   Funding is provided to Finance to meet the cost of Gateway reviews. Factors such as the timing of Government decisions and individual project

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[103]   The Gateway Review process had been completed for nine projects as at June 2011. A further eight projects are expected to complete their involvement in Gateway during 2011–12.

progress mean that actual expenditure will rarely match the amount of funding made available to Finance at the beginning of each year. Finance is nevertheless required to commission all reviews as and when they are required. In recent years, the direct costs of Gateway reviews have been significantly less than that budgeted, due to fewer reviews being undertaken than had been forecast and the cost of each review being less than that expected. In addition to the direct costs of Gateway reviews (for which Finance receives specific funding), Finance also has to meet the costs of oversighting and coordinating the Gateway review process. In this context, Finance advised the ANAO that it had contributed around $1.5 million in general departmental internal funding to Gateway over the years 2005–06 to 2010–11, to supplement government appropriations so as to ensure that the objectives of Gateway are met.

4.39   The scheduling of reviews is determined in consultation between the Gateway Unit and the sponsoring agency. It has become common for planned reviews to be rescheduled[104] and for there to be long delays between reviews.[105] In addition, the duration between reviews has tended to increase as a project progresses through the sequence of Gates. Accordingly, to provide assurance that the high risk projects subject to Gateway are being progressed in accordance with the stated objectives and expected time, cost and quality parameters approved by government, there may be benefits in annual Gateway reviews being conducted for projects where there would otherwise be an extended delay between reviews.

Recommendation No.3

4.40   To provide assurance that the high risk projects subject to Gateway are being progressed in accordance with the stated objectives and time, cost and quality parameters expected at the time funding was originally approved by government, the ANAO recommends that the Department of Finance and Deregulation examine the merits of conducting annual Gateway reviews for projects where there would otherwise be an extended delay between reviews.

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[104]   About one-third of all planned reviews have been rescheduled. Some reviews were scheduled and rescheduled up to six times.

[105]   For example, nine of the 29 ongoing projects as at 30 June 2011 had not been the subject of a review for at least 12 months.

Agencies' responses

4.41 All eight agencies that responded to this recommendation agreed with it.[106] Four agencies also provided the following comments on the recommendation:

- Finance commented that it has been active in engaging with Senior Responsible Officials to promote regular independent implementation assurance. For example, where there would otherwise be a substantial delay between Gateway 3 (investment decision) and Gateway 4 (readiness for service). Finance also advised that it will examine further ways in which extended delays between reviews might be reduced;

- the Australian Federal Police noted that implementation of this recommendation may impose additional costs on agencies associated with preparation for each Gateway review;

- the Australian Taxation Office suggested that, in addition to the recommendation made by the ANAO, 'there should be ongoing involvement of the Gateway Lead Reviewer (perhaps every three to six months) in key agency governance meetings. This ongoing involvement would strengthen the process and ensure that the reviewer remains involved and is familiar with the ongoing status of the project. The reviewers would also therefore be well placed to provide independent advice if this is needed'; and

- the Department of Veterans' Affairs noted that 'Gateway reviews are specific to the stage the project has reached and the project's readiness to pass through that gate. A project's next gate will not necessarily align with any particular calendar month and a pragmatic approach will be required where a project expects to reach a gate within a reasonable period of time after an annual review may be established'.

4.42 Compared with other jurisdictions that have adopted Gateway, fewer Australian Government projects receive an amber or red rating. The rating approach was changed in mid-2009 from relating to the urgency with which report findings and recommendations were to be addressed, to be an assessment of the review team's confidence that the project will be delivered in

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[106] Namely the: Department of Finance and Deregulation; Australian Federal Police; Australian Securities and Investments Commission; Australian Taxation Office; ComSuper; Department of Climate Change and Energy Efficiency; Department of Regional Australia, Local Government, Arts and Sport; and Department of Veterans' Affairs.

a timely and effective manner. Since that change was made, the proportion of reports receiving a green rating has doubled to over 60 per cent and there have been no reports allocated a red rating (previously about one in every five reports received a red rating). This trend could be seen as indicating that the management of ICT and infrastructure projects by FMA Act agencies has improved in recent years, although other reviews and reports suggest that this may not in fact be the case. However, as Gateway reports are specific to a single project, and its circumstances at a point-in-time, Finance has advised the ANAO that it would not be advisable for Gateway review results to be extrapolated to all FMA Act agency projects.

4.43   Only six of the nine projects that had completed the full suite of Gateway reviews as at 30 June 2011 were considered by Finance to have been on-time, on-budget and to have successfully delivered expected outcomes. The extent of the delays, cost overruns and shortfalls in delivery of outcomes in these projects was not quantified by Finance, and is not currently considered in any assessment of the overall contribution of Gateway to improving project planning and implementation by agencies. In this context, there would be benefits in Finance tracking and periodically reporting[107] on the impact that the Gateway review process has had on improving the outcomes of completed projects, and in identifying any areas that would benefit from greater attention in the conduct of Gateway reviews.

Recommendation No.4

4.44   To assess the contribution that the Gateway review process is making to improving project delivery performance by agencies and identify any opportunities to improve the Australian Government's application of Gateway, the ANAO recommends that the Department of Finance and Deregulation periodically analyse the time, cost and scope outcomes achieved by completed projects against the parameters expected at the time funding was originally approved by government, and compare this with the findings and ratings of the Gateway review reports for each project.

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[107]   As noted in paragraph 1.19, to date there have been no reviews or evaluations undertaken of the overall effectiveness of Gateway in the Australian Government context. Finance is required to report to the Government in the 2014–15 Budget on the costs and benefits associated with the application of the Gateway review process.

Agencies' responses

4.45   All eight agencies that responded to this recommendation agreed with it.[108] Two agencies also provided the following comments on the recommendation:

- Finance commented that:

    Following the commencement of Gateway in 2006, a limited number of projects are now progressing through implementation to delivery. As more projects reach the final stage, a Gateway 5 (benefits realisation) review will focus on ensuring that the project delivered the benefits and value for money identified in the business case and benefits realisation plans.

    Finance has analysed the outcomes of the completed projects, including relevant Gateway 5 reports, and concluded that, overall, Gateway has benefited the delivery of projects. Finance will prepare a more comprehensive report on the costs and benefits of Gateway for the Government in 2014–15; and

- the Department of Veterans' Affairs (DVA) noted that:

    This recommendation is aligned to a greater focus on project and program benefits realisation. DVA understands from AGIMO presentations that the P3M3 assessments conducted in 2010 found benefits management to be a consistent weakness within agencies' portfolio, program and project frameworks. As part of the P3M3 Capability Improvement Plan, DVA has strengthened the portfolio monitoring of benefits management and realisation. A more robust and systematic approach to benefits realisation will support this recommendation.

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[108] Namely the: Department of Finance and Deregulation; Australian Federal Police; Australian Securities and Investments Commission; Australian Taxation Office; ComSuper; Department of Climate Change and Energy Efficiency; Department of Regional Australia, Local Government, Arts and Sport; and Department of Veterans' Affairs.

5.   Agency Actioning of Gateway Review Reports

This chapter examines the actions taken by agencies in relation to the matters raised in Gateway reports. It also examines feedback on the conduct of Gate reviews, report recommendations and lessons learned.

Introduction

5.1   On the last day of the Gateway review, the review team provides a confidential report to the Senior Responsible Official (SRO) in the sponsoring agency. A copy of the report is also provided to the Gateway Unit. The report summarises the status of the project and makes recommendations to improve the implementation of the project. The SRO is responsible for determining and implementing any required actions to address the recommendations of a Gateway review report.[109]

5.2   Gateway does not change the accountability of agencies for their projects in any way. The SRO is encouraged to ensure the project board, chief executive officer and, where appropriate, their Minister, are properly informed of the progress of the project, including the outcomes of any Gateway review.[110]

5.3   Additionally, as reviews are conducted at a point in time, the Gateway Unit recognises that the urgency and priority of individual findings from a review can be subject to changing circumstances after the review. As such, an overall rating for the review as a whole provides the SRO and project team the discretion of prioritising and actioning the individual findings and recommendations.[111]

5.4   The ANAO examined compliance by project teams with Gateway requirements and the adequacy of each agency's responses to the findings and recommendations of Gateway reviews.

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[109]   Department of Finance and Deregulation (Finance), *Overview of the Gateway Review Process*, 2010.

[110]   Finance, *Gateway Review Process – Senior Responsible Official* Brochure, 2010.

[111]   During the first couple of years of Gateway in the Australian Government, the structure and operation of the UK Office of Government Commerce (OGC) was revised to in effect become more involved in the project oversight role for projects in the Gateway process. By way of comparison, the Australian Government's Gateway Unit has remained independent from project delivery, which remains the responsibility of the FMA Act agency.

Provision of report copies to the Gateway Unit

5.5 When Gateway was introduced, to inform the Gateway Unit's development of guidance and lessons learned from Gateway reviews, on the last day of the onsite review a copy of the recommendations only from the Gateway report was to be provided. The full report was to be received at the conclusion of the subsequent Gateway review. During the early stages of implementation, this measure assisted the Gateway Unit to reinforce its independence from the responsibility of FMA Act agencies to manage and deliver their projects. However, in late 2009, this process was amended to supply the full report at the completion of each review so as to facilitate an early understanding of the problems and recommended improvements arising from reviews.[112]

5.6 The Gateway Unit's internal procedures require that a broad check of the Gateway report be conducted for appropriate coverage against the Gateway methodology. This is to be undertaken using the Gate Review Checklist in Appendix B of the reports, which provides an overview of the issues the review team would be expected to address for that particular Gate. Gateway Unit staff are required to follow up with the RTL for 'cogent reasoning' where material was partially or not covered.[113] The procedures do not require that any other checks be performed on the Gateway reports. In particular, although the reports are completed by multiple review teams with changing membership, no assessment is undertaken by the Gateway Unit of the consistency with which the RAG ratings criteria are applied across reviews.[114] In this regard, the ANAO understands that the Victorian Gateway Unit reviews the final report for consistency before it is delivered to the SRO.

Agency satisfaction with Gateway reviews

5.7 An important element of the Gateway continuous improvement process is the provision of feedback from stakeholders, including participants in the Gateway reviews. The Gateway Unit seeks direct feedback from SROs and review teams.[115]

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[112] The draft report is usually provided for the SRO's consideration on the second last day of the review, for discussion and finalisation on the last day of the review.

[113] Finance, *Gateway Review Process - Review Coordination Process Document*, April 2010, p.9.

[114] The ratings of a report are supported by a 'pressures on delivery confidence' section which was included in the report templates from mid-2009.

[115] In respect to review teams, this is through a questionnaire undertaken at the completion of each review.

5.8   In respect to agencies, SROs are provided with a one page questionnaire for completion and return to the Gateway Unit at the end of each Gateway review.[116] Each year more than 90 per cent of respondents reported that the Gateway reviews were beneficial and would impact positively on the outcome of their projects (see Figure 5.1).[117]

Figure 5.1

SROs reported their Gateway review was beneficial
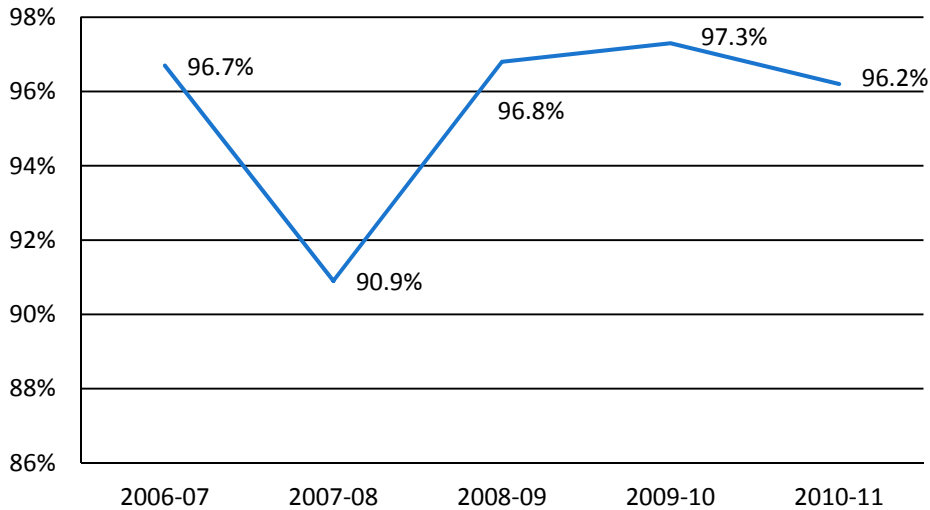
Source: ANAO analysis of Finance data.

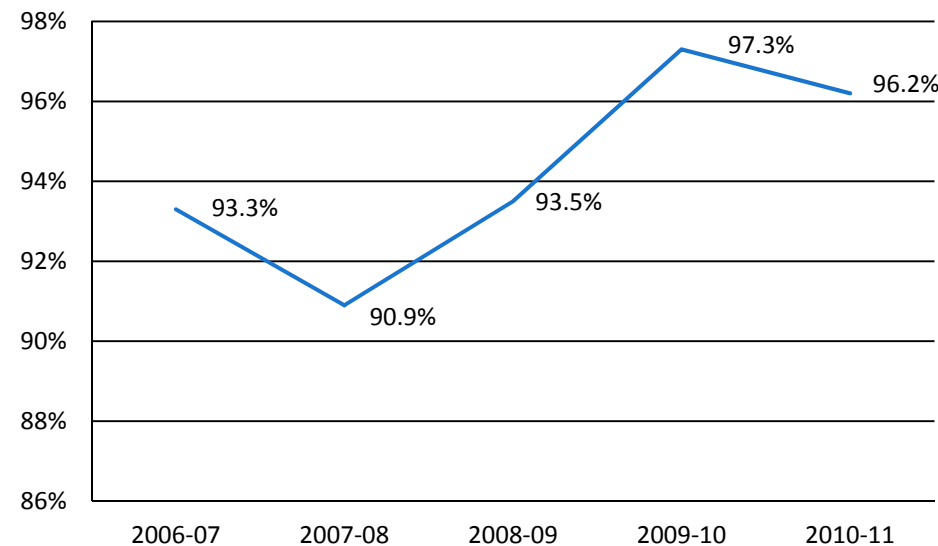Note: Six of 32 reviews in 2010–11 (almost 20 per cent) had no SRO feedback, despite follow-up.

5.9   Over 90 per cent of SROs also reported that the recommendations in the Gateway report would enable them to achieve improvements in the project's outcomes (see Figure 5.2).

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[116]   Finance's Portfolio Budget Statements include a key performance indicator for Gateway, specifically the 'Percentage of SROs that identify Gateway has contributed constructively to their project', with a target of 90 per cent. Results have been included in Finance's Annual Reports (95 per cent in 2010–11).

[117]   That is, these SROs reported that they either 'agree strongly' or 'agree somewhat'. However, 'agree strongly' responses increased each year until 2010–11 (46.7 per cent, 50.0 per cent, 67.7 per cent, 75.0 per cent and 46.2 per cent respectively). However, almost 20 per cent of SROs did not provide feedback on reviews conducted in 2010–11.

Figure 5.2

Recommendations will improve the project's outcomes

Source: ANAO analysis of Finance data.

Note: Six of 32 reviews in 2010–11 had no SRO feedback, despite follow-up.

Implementation of Gateway recommendations

5.10   Over 1600 recommendations were made to agencies in the Gateway reports issued during the five years to 30 June 2011. This represented in excess of 300 recommendations per year and an overall average of nearly 11 recommendations per report.[118] Figure 5.3 shows the average number of recommendations at each Gate, together with averages by RAG ratings of the respective Gateway reports.[119] Gate 1 – Business Need review and Gate 2 – Business Case review reports tended to have one more recommendation than the overall average and Gate 4 – Readiness for Service review reports one less. As would be expected, reports with amber and red ratings had more recommendations than reports with a green rating. The

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[118]   Of 1611 recommendations: 546 (34 per cent) were in reports with a green rating; 864 (54 per cent) were in reports with an amber rating; and 201 (12 per cent) were in reports with a red rating respectively.

[119]   As indicated in Chapter 1, other Gateway jurisdictions (including Victoria, Western Australia and Queensland) apply RAG ratings to individual recommendations as well as providing an overall report rating.

maximum number of recommended actions in a single Gate report was 26.[120] No reports had no recommendations, with the minimum of two recommendations occurring in respect to two reports.

Average number of recommendations by Gate and report RAG rating
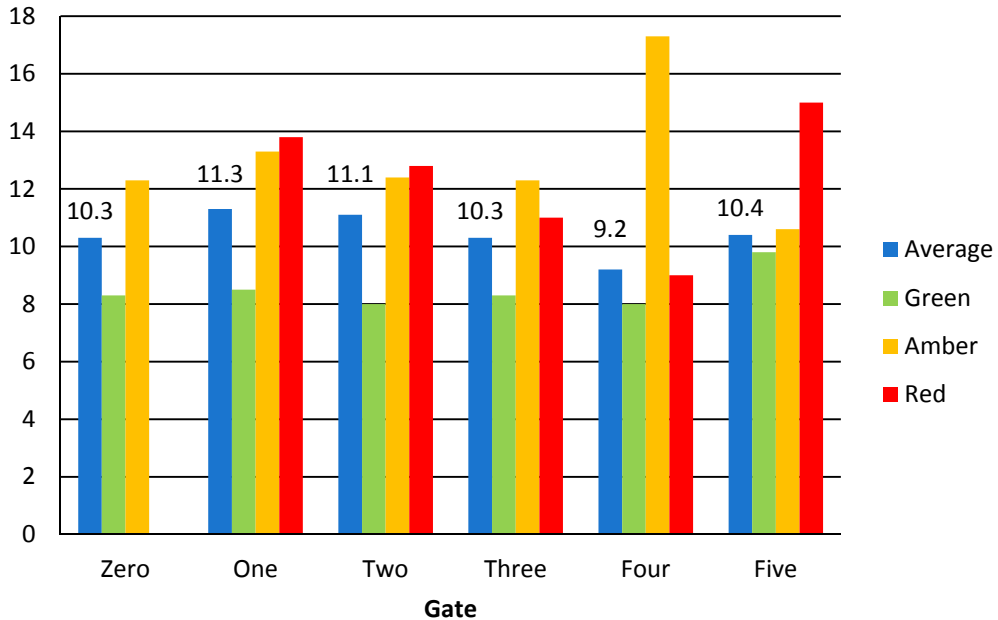
Source: ANAO analysis of Finance data.

Finance's lessons learned reports

5.11   An important output of the Gateway process is the dissemination of lessons learned from the Gateway reviews. The recommendations made in Gateway reports are compiled in a spreadsheet by the Gateway Unit and categorised according to various themes. The lessons learned are formulated following analysis of this data.

5.12   There have been three editions of lessons learned reports from Gateway in the Australian Government.[121] The first of these (August 2007) concentrated

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[120]   This was a complex project to be delivered in an unusually short timeframe, in what was an uncertain policy environment at the time of the Gate review. Comparing the number of recommendations has some inherent limitations, because Review Team practices vary and although a single recommendation usually included only one action, in many instances there were multiple recommended actions.

on the earlier Gates (1 and 2), as reviews commenced in August 2006 and the early Gates were the only ones to have been completed (with reports supplied to the Gateway Unit) at the time of compiling the lessons learned.

5.13 The second edition of lessons learned (August 2009) provided more detail on the results of subsequent Gates and commented on the trends of projects progressing through the Gateway review process during 2007–08 and 2008–09. This report included case studies and observations on better practices.

5.14 The third edition was issued in April 2011 and drew on the Gateway reports completed during 2009–10.[122] It presented lessons learned across four main themes, noting that many of the projects reviewed during this period involved cross-government and multi-jurisdictional initiatives, which can be inherently more complex than single agency projects. The themes were:

- managing complex governance arrangements across agencies and jurisdictions;

- project inception, gaining approval and funding;

- risks associated with implementing projects in tight timeframes; and

- establishing a 'benefits-led' approach.

5.15 Each lessons learned report listed seven areas (key project management themes) in which issues were identified and recommendations made during the Gateway reviews. The key themes have varied as Gateway has evolved and projects have progressed through the suite of Gates. Table 5.1 provides further details.

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[121] <http://www.finance.gov.au/publications/gateway-publications/lessons-learned.html> The purpose of these publications is to promulgate the lessons learned and evidence of better practice observed from Gateway reviews, to assist agencies to identify opportunities for improving their own management of projects and programs.

[122] The first two reports were issued closer to the end of the financial year to which their data related.

Table 5.1

Key project management themes by frequency observed in Gate reviews

First Edition 32 reviews	Rank*	Second Edition 56 reviews	%	Third Edition 37 reviews	%
Business case and project planning	1	Project planning and management	27	Project planning and management	28
Stakeholder management	2	Business case and benefits realisation	16	Business case and benefits realisation	18
Project staffing	3	Governance	14	Stakeholder management	18
Governance	4	Stakeholder management	13	Governance	13
Risk management	5	Service delivery	12	Risk management	11
Sourcing strategy	6	Sourcing strategy	11	Service delivery	6
Financial management	7	Risk management	7	Delivery strategy	6

Source: ANAO analysis of Finance data in Gateway lessons learned reports.

Note*:   The First Edition did not disclose the percentage of reviews in each category.

5.16   The ANAO's analysis of the key themes arising from the recommendations made in the Gateway reports issued during 2010–11 found that there were no significant changes compared to the results published for the previous year. Issues concerning project planning and management arose in about one-third of all recommendations made during 2010–11.

Agency action

5.17   In light of the high level of satisfaction amongst SROs with the quality of the review teams (see paragraph 3.26), that Gateway reviews had been beneficial (see Figure 5.1) and that the recommendations in the Gateway report would enable them to achieve improvements in the project's outcomes (see Figure 5.2), it would be reasonable to expect that agencies would act quickly to fully implement the recommendations made in the Review report. In respect to the 106 instances up to June 2011 where an earlier Gate review had been conducted, the review team reported that the previous report recommendations had been fully implemented in 28 per cent of cases. However, in the remaining 72 per cent of cases the review team concluded that

the recommendations from the earlier Gate had only been partially implemented.[123]

5.18   The ANAO also examined the way in which agencies respond to and action recommendations contained in the Gateway reports.[124] In this respect, and as indicated in paragraph 5.1, there are no prescriptive requirements regarding the actioning of Gateway reports for the majority of Gateway projects.[125] Accordingly, agencies provided the ANAO with a range of documentation to demonstrate how they had actioned their Gateway reports.

5.19   Most agencies provided management responses to recommendations. Many included action plans, and it was evident in a number of projects that project governance bodies (such as steering committees and project boards), agency chief executives and, in some instances, Ministers were informed of the Gateway results and the actions taken or proposed. Several agencies provided either selected elements or the full suite of their project artefacts to demonstrate how the Gateway recommendations had been incorporated as the project progressed. This included items such as their: business cases; project management plans; project schedules; risk management plans; communication and stakeholder engagement strategies; tender evaluation plans, quality assurance plans, contingency plans; testing and implementations plans; disaster recovery plans; and benefits realisation plans.

5.20   For 60 per cent of the Gate reviews undertaken, agencies provided the ANAO with their responses to the recommendations in the Gateway reports. Responses varied in content and detail – some advised that the recommendations were agreed and corrective action would be taken, others provided a list of actions taken in response to the recommendations[126] and many agencies provided more detailed action plans. Many of the action plans

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[123]   The ANAO also noted there were several Gate reports where the Executive Summary conveyed that the previous recommendations had been implemented, but Appendix E reported that some recommendations were still in progress or required further work.

[124]   Twenty one agencies were requested to provide copies of all Gateway reports, along with relevant documentation identifying actions taken as a result of the reviews. Additional information was requested, where appropriate, following an initial review of the documentation submitted by agencies. All 150 reviews conducted over the life of Gateway in the Australian Government up to 30 June 2011 were examined by the ANAO, although full documentation was not available at the time of audit fieldwork for some reviews conducted between January and June 2011.

[125]   The specific requirements for mission critical projects and actioning of Gateway reports triggering the Enhanced Notification process are discussed later in this chapter.

[126]   Some 'Actions Taken' reports appeared to have been prepared after the agency received the ANAO's request for documentation.

identified the tasks that would be performed to implement the recommendations, who would be responsible for them, the expected completion timeframes, and implementation status for each recommendation. However, information covering these aspects was not routinely or consistently included in the majority of cases examined by the ANAO.

5.21   In the above context, there is a risk of lack of follow-through to ensure that all recommendations accepted by the SRO are fully implemented as intended. In particular, although there is considerable effort by project teams when preparing for the next Gate, there are often long delays between reviews (see paragraphs 4.15 to 4.17) and review teams frequently reported (in the next report) that there had been inadequate action on previous Gate findings. Consistent with this situation, few agencies provided the ANAO with documentation that demonstrated that there had been regular and systematic follow-up of Gateway recommendations, with the result that recommendations are not being fully implemented in a timely manner.

Mission critical projects

5.22   If a project entering Gateway is deemed to be 'mission critical'[127] then certain minimum governance and reporting requirements apply. Specifically, a project steering committee must be established, comprising the sponsoring agency, Finance and significant stakeholders, as appropriate, to monitor the project's progress and provide guidance and support. The SRO is required to provide the project steering committee with a summary of recommendations arising from the Gateway reviews. The steering committee is then responsible for ensuring noteworthy findings of Gateway reviews are properly reported within the lead agency.[128] Thirteen projects have been designated as mission critical over the life of Gateway in the Australian Government.

5.23   The ANAO examined whether the subset of projects identified as mission critical had established a project steering committee that included representatives of Finance and significant stakeholders, and whether the steering committee was provided with a summary of the recommendations

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[127] Defined as a project deemed essential to the Australian Government's ability to successfully deliver a major legislative requirement or a major policy initiative; or a project for which failure would have catastrophic implications for the delivery of a key public service, national security or the internal operation of an FMA Act agency. The Gateway Unit advises agencies if their project is mission critical at the time they are notified that the project is subject to Gateway.

[128] Finance, FMG 20, op cit, p.32.

arising from the Gateway reviews. The documentation provided by agencies was also scrutinised to identify instances where steering committees had reported any noteworthy findings arising from the Gate reviews within the lead agency.

5.24   All 13 mission critical projects had established a steering committee (or equivalent body) at some stage during the life of the project, but only four included a Finance representative on the committee.[129] Although most of the mission critical projects included stakeholder representatives on the committee, these members were mainly internal agency staff or from other government agencies. Only one project included representatives from external stakeholders (industry peak bodies).

5.25   With one exception, the Terms of Reference for the project's steering committee (or equivalent) did not specify that body's role in relation to Gateway reviews. Nevertheless, summaries of the Gateway report recommendations (or copies of the full Gateway reports) were provided to steering committees in relation to 16 Gate reviews and verbal reports of the findings and recommendations were provided for a further two Gate reviews. However, it was not evident that the Gateway findings and recommendations were reported to the steering committee in relation to a further 16 Gate reviews.

5.26   There were also few instances where it was evident that the noteworthy findings arising from Gate reviews were reported more widely within the agency. Even where this did occur, it was not apparent that the steering committee had instigated this action.

Enhanced Notification process

5.27   Escalation processes for projects experiencing difficulties have been in place for some time in both Victoria and the UK. In Victoria, successive red reports result in a letter being sent to the agency head with a copy to the SRO alerting them to the issue. In the UK, a single red report has been the trigger since mid-2008 (from 2003 it was successive red reports) and the agency is also requested to provide an action plan and assurances of action to be taken. A copy of the report and the notification letter is also provided to the UK National Audit Office (NAO). Some months later, after the project has had

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[129]   In some cases, the steering committee was established after the first or second Gateway review had been conducted.

time to address the recommendations and implement its action plan, the NAO sends the Public Accounts Committee a summary of the action taken.

5.28 For the Australian Government, an Enhanced Notification process was established in November 2008 to provide early warning to key stakeholders and ensure prompt remedial action in response to red or successive amber Gateway reports identifying issues.

5.29 The first Enhanced Notification step (alert), triggered by the receipt of one red or two sequential amber Gateway review reports, is a letter from the Secretary of Finance to the agency's Chief Executive Officer (CEO) advising that the project has problems to address and that early rectification action is required. In keeping with the FMA Act framework, it is a matter for the agency CEO whether to inform their Minister and the Secretary of the Department of the Prime Minister and Cabinet (PM&C) on the receipt of the first letter.

5.30 The second Enhanced Notification step (active monitoring), triggered by the sequential receipt of two red or three amber Gateway reports, is a second letter from the Secretary of Finance to the agency CEO advising that problems remain with the project and that the agency CEO is required to seek, within 30 days, an action plan from the SRO advising how to address the problems raised in the Gateway review reports. They are also required to inform their Minister, the Secretary of PM&C and the Secretary of Finance, if they have not done so already, of the problems encountered by the project and proposed solutions. If the Secretary of Finance considers that the problems are serious enough to warrant stronger intervention, this second letter may also suggest that the agency CEO commence an independent external project review to assist them to decide on how to proceed.

5.31 The third Enhanced Notification step (agency intervention), triggered by the sequential receipt of three red or four amber Gateway review reports, is a further letter being sent from the Secretary of Finance to the agency CEO advising that very significant problems continue to confront the project and that the agency CEO should undertake an independent external project review immediately. The CEO would be expected to inform their Minister, the Secretary of PM&C and the Secretary of Finance of the action to be undertaken following receipt of the third letter.

5.32 If the project subject to the Enhanced Notification process is located in the Finance portfolio, the Secretary of Finance would inform the Minister for Finance and Deregulation and the Secretary of PM&C at the first, second and third notification steps of the problems in the project and proposed solutions.

5.33 Figure 5.4 sets out the escalation process, where the coloured boxes represent consecutive results over subsequent reviews. As illustrated by Figure 5.4, in most instances the escalation processes are triggered by consecutive red or amber ratings, emphasising the importance of Gateway reviews being undertaken in a timely manner. Where the rating does not improve, or deteriorates across consecutive reviews, greater visibility is provided through the Enhanced Notification process. By way of comparison, where a red report is followed by an amber report (that is, an improved rating), Enhanced Notification is not applied as the project is considered to have improved since the last review.[130]

Figure 5.4

Gateway escalation process
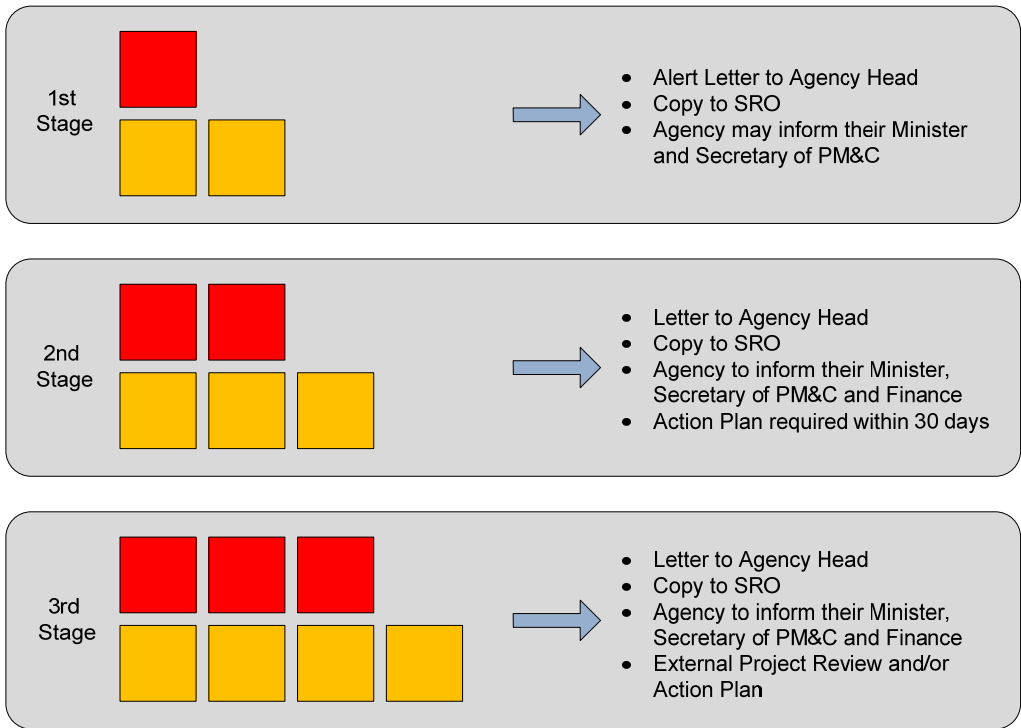
Source: ANAO analysis of Finance data.

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[130] Over the life of Gateway there have been seven instances where a red report was followed by an amber report.

Number of reviews entering Enhanced Notification process

5.34   In November 2008, the Gateway Unit calculated that for the (then) current group of projects in Gateway, 25 per cent would have triggered the first stage of enhanced notification (alert stage), 20 per cent the second stage (active monitoring), and six per cent the third stage (agency intervention). Several months later, in June 2009, analysis of reviews conducted up to that time indicated that 'significantly more projects are likely to advance through the enhanced notification process than was originally envisaged.' The analysis indicated that nearly double the number of reviews would have triggered enhanced notification incidences (50 per cent, 33 per cent and 13 per cent for the first, second and third stages respectively). This analysis formed part of the Gateway Unit's submission seeking approval to pilot revised RAG ratings (see paragraphs 1.15 and 4.27). It was noted that this 'should also reduce unnecessary escalation' to the Secretary of Finance and agency chief executives and that 'this is important now that the enhanced notification processes are tied to the RAG status.'

5.35   As at June 2011, the Enhanced Notification process had been triggered for ten projects involving 12 Gate reports (six in 2008–09, three in 2009–10 and three in 2010–11).[131] There were nine first stage notifications. Two projects entered the second stage (in 2008–09 and 2010–11 respectively) and one project entered the third stage during 2008–09.[132]

Effects of the Enhanced Notification process

5.36   For projects subject to the Enhanced Notification process:

- an action plan was developed following the relevant Gate review for most projects (nine of eleven Gates) and the agency Chief Executive was informed of the Gateway results (eight of eleven Gates)[133];

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[131]   The Gateway Unit followed the Enhanced Notification process for all applicable projects with one exception. For that project, incorrect advice was provided to one agency that the first stage had been triggered when in fact it was the second stage, as the agency had received consecutive red reports.

[132]   The ANAO calculated that a total of 20 projects and 45 reviews would have been subject to Enhanced Notification if this process had applied from the time of the first Gateway reviews. Active monitoring under second stage notifications would have occurred in seven cases and three projects would have triggered an external project review.

[133]   The 12th Gate review subject to Enhanced Notification was completed in late June 2011. The ANAO did not examine agency actioning of this notification.

- the relevant Minister was advised in four cases (first stage) and an oral briefing was provided to the Minister's Office for one project (third stage);

- the Secretary of PM&C was advised (in two cases at first stage and one at third stage);

- the Secretary of Finance was informed of actions being taken on the Gateway findings in six cases and the projects' steering committee or project board was advised in four cases; and

- action plans had been developed within 30 days (or shortly thereafter) for all three projects where this was required.

5.37   In the project where the third stage notification was triggered, an independent review had already been commissioned some 16 months earlier for this project.[134] Accordingly, a further independent review was not considered necessary as the project was by then in the benefits realisation phase.

5.38   Five of the six projects that had a subsequent Gateway review after triggering the Enhanced Notification process received an improved RAG rating at the next Gate: four improved to green; one improved to amber; and one received a consecutive amber result. Two projects were discontinued without conducting any further Gate reviews; one project had only just been reviewed; and three projects had not yet had a subsequent Gate review (being three months, 12 months and 18 months respectively since the last review was completed).

5.39   The Enhanced Notification process also appears to have impacted on the way in which the Gateway Review process is being administered. In particular:

- the number of projects subject to the Enhanced Notification process has been reduced through the practice adopted of allowing some projects to repeat a gate. In this respect, as noted at paragraph 4.11, 13 projects (18 reviews) have involved repeated Gates. In 15 cases, the Gate review was repeated following the receipt of a red or amber rating for the initial review at that Gate level. In nine instances, the repeated gate resulted in an improved rating which, in five of those instances,

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[134]   However, an independent review would have been initiated about six months earlier if the Enhanced Notification process was in place at that time.

enabled a project to avoid being subject to the Enhanced Notification process[135]; and

- prior to its introduction, about one in 20 Gateway reviews was deferred at the request of the relevant agency (a situation that reflects that there may be some occasions where deferring a Gateway review has merit). By way of comparison, since November 2008, almost half of all reviews have been deferred at least once. By deferring the review until such time as it is confident that the review rating will not result in the Enhanced Notification process being triggered, an agency is able to avoid the additional visibility intended to result from Enhanced Notification.

Conclusions

5.40 Gateway was one of two processes introduced in the latter half of the last decade aimed at providing improvements in cost certainty and to facilitate greater scrutiny of Australian Government projects.[136] In this context, Gateway reviews are expected to provide an arm's length assessment of a project at critical stages of the project's lifecycle so as to:

- assist with the on-time and on-budget delivery of projects in accordance with their stated objectives; and

- strengthen project oversight and governance.

5.41 Consistent with the philosophy underpinning the development of Gateway, Finance's implementation of the Gateway Review process has endeavoured to reinforce the responsibility of individual agencies for the management and delivery of their projects. Accordingly, in general, agencies are provided with considerable discretion in how they administer projects subject to Gateway and the extent to which Review findings and recommendations are made known outside of those with management responsibility for the project. However, there are two scenarios in which added attention is expected to be brought to bear but in neither circumstance has

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[135] In November 2011, Finance advised the ANAO that its perspective was that 'the additional assurance (from gates being repeated) is beneficial to the project's prospects of delivery'.

[136] The other was the two-stage Cabinet approval process for capital works. See Finance advice to the ANAO reflected in ANAO Audit Report No. 43 2008–09, *Construction of the Christmas Island Immigration Detention Centre*, p.32. A two-stage process for ICT investment was also introduced in September 2009.

administration of the relevant arrangements been sufficiently effective. Specifically:

- a small number of projects (13 of the 46 projects subject to Gateway up until 30 June 2011) have been categorised as 'mission critical'. Whilst certain minimum governance and reporting arrangements are expected to apply to these projects, it has been relatively common for these arrangements to not be implemented; and

- where the Gateway Review rating[137] indicates a project is experiencing difficulties, escalation processes have been in place since late 2008 to provide added visibility over project progress at senior levels within the agency and, in certain circumstances, the relevant Minister. As at June 2011, the Enhanced Notification process had been triggered for ten projects. Whilst the process has largely been followed and subsequent ratings have generally improved, the process also appears to have impacted on the way in which the Gateway Review process is being administered. In particular:

  – the number of projects subject to the Enhanced Notification process has been reduced through the practice adopted in some projects of repeating a gate (sometimes on more than one occasion) thereby obtaining an improved rating; and

  – although the Gateway review process is designed to provide an external challenge to the robustness of plans and processes on a 'going forward' basis so as not to unduly impact project schedules, it has become common for scheduled reviews to be deferred until such time as the agency is confident that the review rating will not result in the Enhanced Notification process being triggered.

5.42 The Enhanced Notification processes were intended to provide greater visibility over projects experiencing problems as well as to promote early remedial intervention. In most instances, the escalation processes are only triggered by consecutive red or amber ratings. Accordingly, the design of the Enhanced Notification processes did not envisage a high frequency of gates being repeated or of scheduled reviews being deferred. More broadly,

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[137] Changes were made to the RAG rating process in mid-2009 to, amongst other things, reduce the number of projects that would be subject to the Enhanced Notification process.

Gateway is best able to provide assurance and improve project management through the timely conduct of Gate reviews combined with prompt agency action being taken prior to the next review.

5.43 Based on the feedback provided by agency SROs, there is a high level of satisfaction with the quality of the review teams that are undertaking Gateway reviews. In addition, the significant majority of agency SROs have reported to Finance that they find Gateway reviews beneficial and consider that the recommendations made in the Gateway report will enable them to achieve improvements in project outcomes. However, it is common for agencies to not fully implement Review recommendations in a timely manner. In this respect, there is a role for Finance to play in promoting a greater focus on the timely and effective implementation of Gateway Review report recommendations by agencies.

Recommendation No.5

5.44 The ANAO recommends that the Department of Finance and Deregulation implement appropriate measures to promote a greater focus by agencies on the timely and effective implementation of Gateway review report recommendations.

Agencies' responses

5.45 All eight agencies that responded to this recommendation agreed with it.[138] Three agencies also provided the following comments on the recommendation:

- Finance commented that:

  Finance is preparing to introduce Assurance of Action Plans which will provide agencies with the opportunity to receive early assurance of their plans to action Gateway review report recommendations. In addition, Finance will expand performance indicators to include consideration of the extent to which Gateway recommendations have been fully implemented at the time of the next review;

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[138] Namely the: Department of Finance and Deregulation; Australian Federal Police; Australian Securities and Investments Commission; Australian Taxation Office; ComSuper; Department of Climate Change and Energy Efficiency; Department of Regional Australia, Local Government, Arts and Sport; and Department of Veterans' Affairs.

- The Department of Climate Change and Energy Efficiency advised that it had 'recently reviewed its processes for monitoring the implementation of recommendations resulting from audits and management-initiated reviews. New procedures were subsequently introduced to ensure more timely and effective implementation of such recommendations. The department will now consider extending this monitoring regime to recommendations that result from the Gateway Review Process'; and

- the Department of Veterans' Affairs stated that it 'supports the proposition that timely and effective implementation of Gateway review report recommendations is appropriate to achieving the benefits identified in the recommendations' and noted that this ANAO recommendation would be likely to require a greater level of reporting back to Finance for any project subject to the Gateway Review Process.

Ian McPhee

Auditor-General

Canberra ACT

7 February 2012

Appendices

Appendix 1:   Projects subject to Gateway review

Agency	Project
Attorney-General's Department/ Department of Finance and Deregulation	Commonwealth New Building
Attorney-General's Department	National Crisis Coordination Centre
Attorney-General's Department	Personal Properties Securities Reform
Australian Customs and Border Protection Service	Australian Maritime Identification System
Australian Customs and Border Protection Service	Bay Class Vessel Replacement (Cape Class Patrol Vessel)
Australian Customs and Border Protection Service	Enhanced Passenger Assessment and Clearance (Phase 1 and 2)
Australian Customs and Border Protection Service	Southern Ocean Capable Patrol Vessel
Australian Federal Police	Collection, Assessment and Storage of Sensitive Intelligence (CASSI)
Australian Federal Police	Majura Forensic Facility
Australian Federal Police	Spectrum (formally Future Operational Systems or FOS)
Australian Government Information Management Office	Australian Government Online Service Point (AGOSP)
Australian Securities and Investments Commission	Information Technology Security and Risk Mitigation Phase 2 Application Development
Australian Securities and Investments Commission	Market Structure and Competition
Australian Taxation Office	SuperStream
Australian Taxation Office	Superannuation Simplification
ComSuper	Administration Platform Modernisation
Department of Climate Change and Energy Efficiency	Carbon Pollution Reduction Scheme
Department of Defence	Centralised Processing Project
Department of Defence	Personnel Enterprise Resource Planning System (PMKeyS)
Department of Education, Employment and Workplace Relations	Child Care Management System (CCMS)
Department of Education, Employment and Workplace Relations	Disability Employment Services 2010
Department of Education, Employment and Workplace Relations	Employment Services 2009

Agency	Project
Department of Families, Housing, Community Services and Indigenous Affairs	Community Development Employment Program (CDEP)
Department of Families, Housing, Community Services and Indigenous Affairs	Paid Parental Leave (PPL)
Department of Finance and Deregulation	Central Budget Management System (CBMS)
Department of Finance and Deregulation	Cocos (Keeling) Islands Aircraft Pavement Refurbishment
Department of Finance and Deregulation	Moorebank Intermodal Terminal Project
Department of Finance and Deregulation/ Department of Immigration and Citizenship	Villawood Immigration Detention Facility (VIDF) Redevelopment
Department of Foreign Affairs and Trade	Passport Redevelopment
Department of Health and Ageing	Aged Care One Stop Shops
Department of Health and Ageing	National Health Reform Enterprise Data Warehouse (formerly Activity Based Funding)
Department of Health and Ageing	Personally Controlled Electronic Health Record (PCEHR)
Department of Human Services	Access Card
Department of Human Services	Commonwealth Spatial Data Integration (CSDI)
Department of Human Services	Income Management Card Replacement (IMCR)
Department of Human Services	Service Delivery Reform (SDR)
Department of Immigration and Citizenship	Melbourne Immigration Transit Accommodation (MITA)
Department of Immigration and Citizenship	Stronger Migration and Visa Services (SMVS)
Department of Immigration and Citizenship	Systems For People
Department of Industry, Innovation, Science, Research and Tertiary Education	Australian Business Names Business Name Registration Project / Business Online Services (ABN BNRP/BOS)
Department of Industry, Innovation, Science, Research and Tertiary Education	VanGuard
Department of Regional Australia, Local Government, Arts and Sport	Cocos (Keeling) Islands Freight and Passenger Facility
Department of the Treasury	Standard Business Reporting (SBR)
Department of Veterans' Affairs	Choice and Maintainability in Veterans Services (CMVS)
Medicare Australia	Medicare Easyclaim
National Archives of Australia	National Archives Preservation Facility

Source: ANAO analysis of Finance data.

# Appendix 2: SRO feedback on Gateway reviews – 2006–07 to 2010–11

		2006–07 %	2007–08 %	2008–09 %	2009–10 %	2010–11 %
1	This Gateway Review was beneficial and will impact positively on the outcome of the project	96.7	90.9	96.8	97.3	96.2
2	The Report's recommendations were clear, concise and understandable	93.3	95.5	96.8	100.0	92.3
3	I would have confidence in implementing the Report's recommendations	90.0	100.0	96.8	97.3	96.2
4	The Report's recommendations will enable me to achieve improvements in the project's outcomes	93.3	90.9	93.5	97.3	96.2
5	The Planning Meeting was effective preparation for the review	93.3	86.4	100.0	94.6	96.2
6	The time taken for the review was appropriate	66.7	90.9	100.0	94.6	88.5
7	The Review Team Leader fulfilled his/her role effectively	96.7	100.0	100.0	97.3	96.2
8	The review team's approach (style, method and pace) was appropriate	86.7	95.5	96.8	97.3	96.2
9	The Gateway Unit provided a timely and effective service	100.0	100.0	100.0	97.3	92.3
10	I was sufficiently briefed about the Gateway Review Process	100.0	100.0	100.0	100.0	100.0
	Number of respondents	**30**	**22**	**31**	**37**	**26**

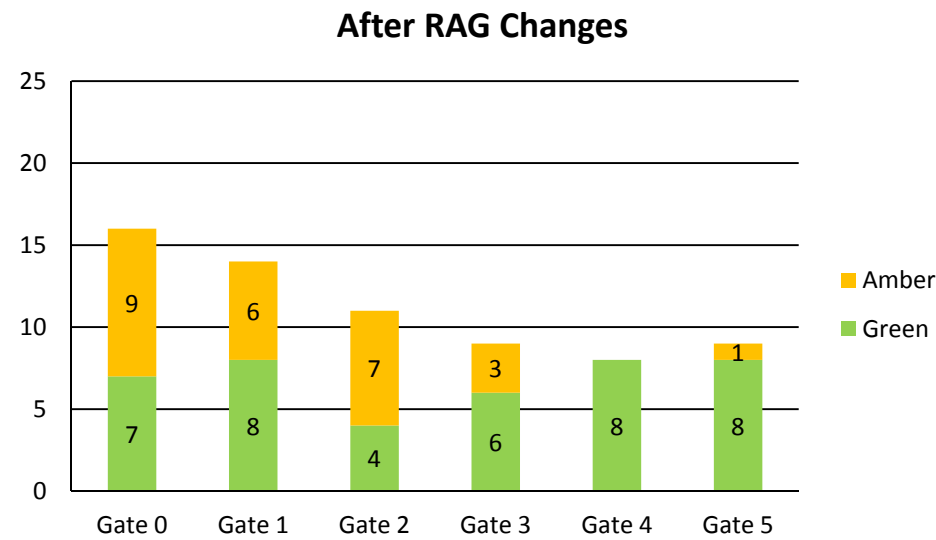Source: ANAO analysis of Finance data.

Note: No SRO feedback was received for two reviews in 2006–07, one review in 2007–08 and six reviews in 2010–11 (almost 20 per cent not received).

Six reviews received feedback from dual SROs.

Appendix 3:   RAG ratings by Gate (Gates 0 to 5)

Before RAG Changes
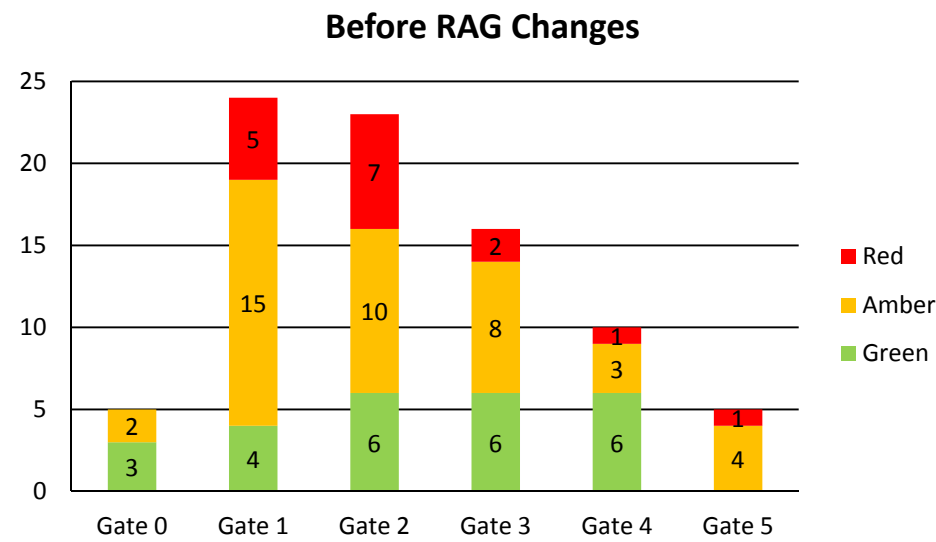
Source: ANAO analysis of Finance data. (n=83).

After RAG Changes

Source: ANAO analysis of Finance data. (n=67).

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