

The Auditor-General
Audit Report No.28 2006–07
Performance Audit

Project Management in Centrelink

Centrelink

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of Australia 2007

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Canberra ACT
22 February 2007

Dear Mr President
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in Centrelink in accordance with the authority contained in the *Auditor-General Act 1997*. Pursuant to Senate Standing Order 166 relating to the presentation of documents when the Senate is not sitting, I present the report of this audit and the accompanying brochure. The report is titled *Project Management in Centrelink*.

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

A handwritten signature in black ink, appearing to read 'Ian McPhee', is positioned above the printed name and title.

Ian McPhee
Auditor-General

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

AUDITING FOR AUSTRALIA

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

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Contents

Abbreviations.....	7
Glossary	9
Summary and Recommendations	11
Summary	13
Background	13
Audit Approach.....	14
Overall Audit Conclusion.....	16
Key Findings	17
Recommendations	25
Centrelink Response.....	26
Recommendations	27
Audit Findings and Conclusions	29
1. Background	31
Centrelink	31
Projects in Centrelink	31
Audit approach	37
Scope and methodology	39
Assistance to the audit.....	39
Previous audits and reports	39
Structure of report	40
2. Centrelink's Project Management Framework.....	42
The project management discipline	42
Centrelink's project management policy	46
Centrelink's project management methodology.....	49
Organisational arrangements.....	53
3. Project Definition	58
CPMF project definition requirements.....	58
Projects' adherence to CPMF definition and planning requirements.....	59
Projects used for case studies	62
Project definition case study – AWT Transaction Capacity	63
Project phasing: case study – Customer Account	67
Project planning: case study - Centrelink Academic Reassessment Transformation.....	70
Overall conclusion on project definition	73

4. Project Monitoring and Review	77
Introduction	77
Monitoring and review by the CPO and the IMPC	77
Monitoring and review issues.....	80
Monitoring and review improvement initiatives	82
5. Strategic Project Management Maturity	90
Recent initiatives to improve the maturity of Centrelink's portfolio, programme and project management processes.....	90
Internal maturity assessments	93
ANAO assessment of project management maturity	94
Appendices	99
Appendix 1: Project Management Body of Knowledge	101
Appendix 2: Moving Towards Defined Portfolio, Programme and Project Management Processes	103
Appendix 3: Agency Responses	105
Series Titles.....	107
Better Practice Guides	110

Abbreviations

ANSI	American National Standards Institute (ANSI).
AWT	Australians Working Together (see Glossary).
AWT – TC	Centrelink’s transaction capacity (mainly IT) improvement components of the AWT package of measures.
CART	Centrelink Academic Reassessment Transformation (CART) project.
CEIs	Chief Executive Instructions.
CEO	An agency’s Chief Executive Officer
CPMF	Centrelink Project Management Framework.
CPO	Centrelink Projects Office – located within the PCB and with overall responsibility for the development of the CPMF and for project coordination and support.
CPR	Centrelink Projects Register
DEWR	Department of Employment and Workplace Relations
DVA	Department of Veterans’ Affairs
FaCSIA	Department of Families, Community Services and Indigenous Affairs
Finance	Department of Finance and Administration (Finance)
FMA Act	The <i>Financial Management and Accountability Act 1997</i> (Cth)
Health	Department of Health and Ageing
IMPC	Investment and Major Projects Committee – the committee within Centrelink with primary responsibility for decisions on and monitoring of projects.

ISO	International Standards Organisation.
IT	Information Technology (IT)
I&T	Information and Technology (I&T).
JCPAA	Joint Committee of Public Accounts and Audit
OGC	United Kingdom Office of Government Commerce (OGC).
OPM3	Organisational Project Management 3 – a project management maturity assessment model developed by the Project Management Institute (PMI).
PCB	Centrelink's Projects Coordination Branch (PCB).
PMBoK	The Project Management Body of Knowledge (PMBoK) – an internationally recognised best practice approach to project management, developed by the PMI, that has been adopted by Centrelink.
PMI	United States-based Project Management Institute (PMI).
PMP	Project Management Plan
PRINCE2	Projects in Controlled Environments 2 (PRINCE2) – a project management method developed by the Office of Government Commerce in the United Kingdom.
P3M3	Project Management Maturity Model (P3M3), developed by the OGC.
TAFE	Technical and Further Education (TAFE).

Glossary

Australians Working Together	The 2001–02 and 2002–03 Budget packages of measures, called Australians Working Together, which were aimed at helping those of working age move from welfare to work. The measures were a response to the McClure Review of Welfare Reform.
Centrenet	The Centrelink intranet.
Gateway Process Reviews	The Gateway Process is an initiative of the UK Office of Government Commerce (OGC). Under it, reviews of programmes and projects are undertaken at critical stages in their lifecycle to provide assurance that they can progress successfully to the next stage. Since 2005–06, the Department of Finance and Administration has required FMA Act agencies to undertake Gateway reviews of certain projects.
Infolink	Centrelink’s financial management information system.
Portfolio (of projects)	A structured grouping of programmes, selected to achieve the best overall business results for the organisation.
Programme (of projects)	A grouping of projects with a common objective. They are to be distinguished from government programmes, which are aimed, for example, at providing financial or other support to the community or a section of it.

Summary and Recommendations

Summary

Background

1. As the primary social service delivery agency for the Australian Government, Centrelink is continually adjusting its service delivery approaches to fulfil its purpose which is 'serving Australia by assisting people to become self-sufficient and supporting those in need'.¹ These changes are largely effected through projects, which can be defined as 'temporary endeavours undertaken to create a unique product, service or result'.² During the 2005–06 financial year Centrelink managed 134 projects at a cost of \$144.7 million, about six per cent of Centrelink's departmental funding.
2. A large proportion of Centrelink's projects arise from Budget measures. Generally these Budget measures are developed by those agencies purchasing services from Centrelink, with the funding provided to the purchaser agencies that then fund Centrelink to implement them. Each year new measures are introduced. Many of these measures require Centrelink to make significant changes to the services it provides, or the way that it provides them. Implementation of these measures requires Centrelink to complete projects within timeframes that are often dictated by the effective date of legislation, putting its staff and systems under considerable pressure.
3. This pressure can be increased through the funding arrangements under which Centrelink operates. Savings expected to be achieved from the implementation of measures are oftentimes 'harvested' (that is, Centrelink's revenue is reduced up-front) in the expectation that Centrelink will achieve greater efficiency precisely in the way and at the time predicted when the Budget measures were costed.
4. As an agency of the Department of Human Services, Centrelink may also be required to undertake projects, or components of projects, to meet priorities identified by the department and/or its Minister. All of these various demands converge on Centrelink, but they can rarely be expressed in project

¹ *Annual Report 2005–06*, Centrelink, 2006, p. 11.

² Project Management Institute, *A Guide to the Project Management Body of Knowledge Third Edition*, Project Management Institute, Pennsylvania, 2004, p. 5.

terms, that is, as a requirement for products or services of a specified quality, to be delivered according to a predetermined schedule and at a specified cost.

5. Centrelink also implements projects using internal funding to progress initiatives in line with Centrelink's Strategic Directions, which set out Centrelink's purpose, strategic themes, strategic priorities and core business processes.³ These projects make up a minor proportion of the total funding for all projects, about ten percent in 2005–06.

6. Centrelink's portfolio of projects includes projects which are:

- complex and/or broad in scope;
- critical to the delivery of government services; and/or
- material in financial terms.

7. Difficulties in delivering project outputs on time, within budget and to the required standard could create risks for government services and Centrelink's internal processes. Centrelink has recognised that, to manage these risks, the agency needs to implement an effective strategic project management approach that applies to all projects. Centrelink's current approach to project management is articulated in the Centrelink Project Management Framework (CPMF). The CPMF was introduced in 2000 and has been refined and developed over time. All projects in Centrelink are subject to this framework.

8. The CPMF is administered by the Centrelink Projects Office (CPO) within Project Coordination Branch (PCB). The CPO develops and maintains the CPMF and coordinates training, access to resources and support for project managers. In addition, the CPO provides secretariat services for the Investment and Major Projects Committee (IMPC), the senior executive body within Centrelink that selects internally funded projects and oversees all project management activities.

Audit Approach

9. The objective of the audit was to assess the effectiveness of the major elements of Centrelink's central, strategic level project management arrangements, as defined in the CPMF. It focused on how well:

³ *Annual Report 2005–06*, Centrelink, op. cit., p. 10.

- the CPMF supports better management and service delivery in Centrelink;
- the CPMF supports project managers and projects to comply with better project management principles, relevant legislation and guidelines; and
- Centrelink monitors project performance and encouraged the attainment of project objectives.

10. The primary focus of the audit was on Centrelink's strategic project management arrangements rather than on the effectiveness of project management at the individual project level. It included:

- a review of key documentation, including the CPMF;
- observation of project management practices and confirmation of findings with key staff;
- an assessment of the outputs and efficiency and effectiveness of the role played by the PCB and the key project information it produces in collaboration with individual project managers;
- analysis of a sample of 30 projects to review for adherence to the CPMF; and
- a more detailed review of four individual projects to gain additional information for an assessment of central, strategic project management arrangements.

11. Criteria for the audit assessment of the CPMF and the maturity of Centrelink's approach to project management were drawn from a number of better practice sources from the project management discipline.⁴

⁴ These included an internationally accepted and utilised standard, the Project Management Body of Knowledge (PMBoK) which has been adopted by Centrelink as the basis for its project management framework. PMBoK has International Standards Organisation (ISO) 9001 certification and is an American National Standards Institute (ANSI) standard. Centrelink also applies PRINCE2 (Projects in Controlled Environments 2), which is a widely utilised project management method in both public and private sectors. PRINCE2 addresses the organisation, management and control of projects. It was developed by the Office of Government Commerce (OGC) as a United Kingdom Government standard for IT project management. The development of project management maturity models has also been a key development in recent years and are particularly relevant in assessing how well developed, or mature, strategic project management processes and approaches are within an organisation. Among these are Organisational Project Management 3 (OPM3) and the OGC's Portfolio, Programme and Project Management Maturity Model (P3M3). During the course of the audit Centrelink undertook a preliminary OPM3 review. The ANAO utilised P3M3 in making its overall assessment of Centrelink's strategic project management approach.

Overall Audit Conclusion

12. Centrelink has recognised the opportunities afforded by the use of widely accepted project management standards and better practice. The Centrelink Project Management Policy mandates a single project management framework—the CPMF. The framework can be adapted to the requirements of individual projects and specifies roles and responsibilities for the key stakeholders. Centrelink has adopted an internationally accepted standard, the Project Management Body of Knowledge (PMBok)⁵ as the basis for its project management framework.

13. The CPMF has been operating since 2000 and Centrelink has been continuously improving this framework since then. The ANAO considers that Centrelink's CPMF has the major elements of a central, strategic level of project management in place but there is an opportunity for Centrelink to further improve the framework to make it more effective in supporting better management and service delivery in Centrelink.

14. The CPMF is appropriately structured to comply with best practice project management principles and guidelines but project managers do not always apply it. Centrelink's monitoring of project performance is moving to a more strategic level and this will, if successfully implemented, encourage attainment of project objectives.

15. Centrelink has established the Centrelink Projects Office (CPO) to centralise and coordinate the management of projects. The roles of the CPO are consistent with the roles for project management offices outlined in PMBoK at an operational support level—that is, as a provider of project management support to individual project managers. However, the ANAO found that the CPO will need further development to adequately undertake a central, strategic project management function as envisaged in PMBoK.

16. The ANAO also observed that the process by which authority is given to components of the CPMF (including policy, processes, procedures and workflows) and by which they are communicated to project sponsors, managers and staff, other than the methodology for IT projects, was not effective at the time of the audit. As a consequence, Centrelink project teams had not consistently produced key project documentation, required under the

⁵ See footnote 4 and Chapter 2.

CPMF. Although Centrelink had acted to address this situation the processes put in place, to date, have not been effective.

17. While the ANAO recognises the efforts that Centrelink has made to implement strategic project management practices, through the CPMF, this audit has revealed that Centrelink has some work to do before reaching the higher levels of project management maturity, as measured by the Portfolio, Programme and Project Management Maturity Model (P3M3).⁶

18. In particular, the ANAO considers that Centrelink may benefit from a greater focus on:

- the improved definition of projects, or programmes of projects, funded from Budget measures;
- the improved use of programme level monitoring and reporting;
- improving the use and integration of IT tools to support project managers;
- the CPO working more closely in partnership with project sponsors and managers; and
- effective evaluation of projects at their completion.

Key Findings

Centrelink's Project Management Framework (Chapter 2)

19. Project management is a professional discipline and there is a substantial body of knowledge, including standards and better practice materials, on the subject. These include the Project Management Body of Knowledge (PMBok) and Projects in Controlled Environments 2 (PRINCE2). As noted in paragraph 12, Centrelink has adopted PMBoK⁷ as the basis for its project management framework.

20. Strategic project management involves the project portfolio (a structured grouping of programmes, selected to achieve the best overall business results for the organisation), programme (groups of projects aimed at

⁶ The Portfolio, Programme and Project Management Maturity Model (P3M3) developed by the OGC in the UK provides a descriptive reference model that organisations can use as guidance for improving their project-related processes.

⁷ As noted in footnote 4, PMBoK has International Standards Organisation (ISO) 9001 certification and is an American National Standards Institute (ANSI) standard.

meeting specified objectives or delivering a specific service capability) and individual project levels.

21. Centrelink gives effect to its approach to strategic project management through the CPMF, which incorporates policy, methodology and organisational level support for project management through the CPO. The CPMF is based on a lifecycle approach that requires projects to be managed through sequential steps. Centrelink has modified the generic lifecycle suggested by PMBoK to reflect the context of Centrelink projects and operational requirements. The CPMF defines two different project inception/definition approaches to be taken depending on whether a project comes from an external (Budget-funded, client agency) requirement or from an internal priority. It also incorporates a parallel lifecycle for the information technology component of projects.

22. Centrelink has put in place a number of systems and tools to improve project management. These include:

- the Centrelink Projects Register (CPR), which is a central project data repository that has been promulgated to individual project managers as an integral part of Centrelink's control framework for projects;
- Primavera, a project management suite of tools;
- Infolink, Centrelink's financial management information system, in which each project is set up as a discrete cost centre for the accumulation of costs. Cost and asset plans and expense and capital budgets for projects are maintained in Infolink and expenditure, savings and revenues from projects are tracked and reported using Infolink; and
- the Project Managers Team Room, an electronic forum for sharing information and a repository of project management tools and information.

23. The ANAO considers that the tools Centrelink has implemented are of a kind that can support good strategic project management and contribute to the type of project management culture Centrelink is seeking to implement. While Centrelink has not yet fully reaped the benefits of using the tools, the agency is continuously improving its use of them. However, the ANAO found that:

- the CPR is not properly maintained and it contains errors and omissions that make it unreliable as a source of monitoring information; and
- the Project Managers Team Room had not been maintained and so did not provide a useful tool for project managers.

24. The ANAO considers that the Centrelink Project Management Policy provides good coverage of the kinds of issues necessary to establish the basis for consistent, centrally controlled and strategic level project management. However, the ANAO observed that the way in which the CPMF has been promulgated did not in itself provide for fully effective control and transparency around projects at the strategic level. While Centrelink has other controls in place oversighted by the agency's Audit and Risk Committee to mitigate these risks, the ANAO considers that there is an opportunity for the PCB to strengthen the CPMF risk processes to better manage Centrelink's projects at the strategic level.

Project Definition (Chapter 3)

25. Good project definition and planning provide a solid and essential foundation for the achievement of individual project objectives and of broader organisational goals. Centrelink's approach is generally consistent with PMBoK better practice requirements. The CPMF requires the preparation of a project charter, project scope document (the business case) and project management plan in the Project Definition phase. These documents are for the consideration of, and approval by, the IMPC. However the project scope document is not a requirement in Centrelink for Budget-funded projects.

26. The ANAO reviewed a sample of 30 projects using the information held in the CPR to assess their adherence to the CPMF process and the CPO's control over key documents. The ANAO also analysed in more detail four of these projects to gain a more in-depth understanding of the efficiency and effectiveness of Centrelink's project management. The four projects were:

- **Centrelink Academic Reassessment Transformation project (CART).** This project sought to improve the correctness of payments to students and help students remain engaged in full-time or part-time study and/or part-time work by arranging for Centrelink to take information on changes in students' study loads in 'real time' direct from the educational institutions, rather than waiting for students to advise Centrelink separately;

- **Workload Management System project.** This project was part of an initiative to introduce a workload and workforce management solution for Centrelink;
- **Customer Account project.** This was part of a series of initiatives to transition Centrelink to a simplified and streamlined way of doing business with its customers; and
- **Australians Working Together – Transaction Capacity (AWT-TC) project.** This was aimed at ensuring that Centrelink’s technical infrastructure had the capacity to support the various 2001–02 and 2002–03 Australians Working Together Budget initiatives.

27. On the basis of analysis of these samples, the ANAO found that:

- the CPR contained a significant number of errors, omissions and variations in relation to critical project definition and planning documentation (such as business cases, cost estimates, business impact assessments, risk assessments and project management plans);
- in the case of AWT-TC, the CPO inappropriately defined this undertaking, which was a programme (or group) of projects, as a single project. In contrast this group of projects was appropriately treated by Centrelink’s AWT-IT programme office as a programme of linked projects rather than as a single project. This created a duality of governance arrangements that made it difficult for the CPO and the IMPC to monitor and control the progress of each individual project within AWT-TC and their contribution to the objectives for the AWT-TC initiative;
- an initial internal scoping exercise for the Customer Account project was appropriate but changed focus when it became known that the Customer Account would become a Budget measure. Phasing the project on a financial year basis, rather than on suitable implementation and decision-making points (‘go/no go’ points) also did not lend itself to efficient and effective project monitoring and control; and
- by not following a sequenced planning process for CART, especially by not including a detailed risk management plan in the Project Management Plan (PMP), Centrelink entered into a worthwhile project, but in a way that did not initially identify and manage the risks to achieving take-up by educational institutions and, therefore, to achieving savings targets.

28. Centrelink's limited influence in defining project scope and priority of Budget-related projects (except through consultation in the new policy process), and the consequent need for continual reprioritisation and reallocation of resources to projects after each Budget, presents some challenges for Centrelink in looking at the big picture, adopting strategic solutions, identifying interdependencies and scoping projects appropriately. The Department of Human Services advised the ANAO that, in its view:

The creation of the Department of Human Services in October 2004 has raised the profile of service delivery in the policy development process. The Department also closely scrutinises the progress of major policy implementation. In combination, these changes can be expected to progressively strengthen high-level project scrutiny within Centrelink and ensure service delivery issues associated with policy implementation are effectively brought to the attention of policy departments.⁸

29. Centrelink's internal financial management arrangements provide Centrelink with a means of ensuring that its allocations to projects do not exceed funding sources. They also help Centrelink to meet the requirements of client/policy agencies for reports on Centrelink's use of funds to implement Budget measures. These are important considerations, but aspects of the current arrangements lead to difficulties with the proper definition, including phasing, of projects. Within Centrelink, Budget measures tend to be equated with projects notwithstanding that a Budget measure does not generally provide enough information on requirements, schedule and deliverables to be defined as a project.

30. It is not uncommon for savings to be harvested up-front from Centrelink projects. Where this occurs, this simultaneously places pressure on Centrelink to manage Budget measures as single projects (to make the tracking of savings simpler) and creates pressures on the network. In particular, the network can come under significant pressure if the savings that have been harvested are not matched by actual savings generated by the projects in the network, such as in terms of reduced resource demands, or if these savings take longer than originally planned to be realised.

31. The CPO's approach of defining projects based on the source of their funding (that is equating Budget measures with projects) creates a risk that monitoring will be ineffective at the portfolio of projects and programme of

⁸ Letter from the Acting Deputy Secretary, DHS, to the ANAO, 24 January 2007.

projects levels. While reporting on the use of Budget funding and the implementation of Budget initiatives is essential, structuring projects on sources of funding has led to the IMPC focusing primarily on following up on scheduling and funding issues, rather than getting any clear view of changes in capacity and achievement of benefits. Notwithstanding the need for Centrelink to report against Budget measures, projects should be defined in such a way that they can be adequately controlled, that is, to ensure that activity can be appropriately planned and resourced to produce the required results within a given time.

Project Monitoring and Review (Chapter 4)

32. On the basis of analysis of its sample of 30 projects, and the detailed examination of four of these projects, the ANAO found that the CPO did not use the large volume of monitoring information provided by individual project teams appropriately to advise the IMPC on the progress of the projects. As a consequence, the IMPC's monitoring and review has in the past been largely ineffective, because it had not been receiving sufficiently clear briefing, either to enable the committee to identify the broader issues affecting the agency's portfolio of projects or to support individual projects. These broader issues included delays in budget approval and allocation of funds, delays in procurement processes for capital and professional services, insufficient labour resources and conflicting development priorities.

33. The importance of taking a higher level perspective and addressing systemic issues when monitoring projects has been recognised by the IMPC. For the 2005–06 financial year, the IMPC adopted programme level reporting, instead of considering reports for individual projects as in previous years. The ANAO considers that the programme level of reporting provides the IMPC with a useful perspective on issues affecting projects and Centrelink's project portfolio more generally. The ANAO supports Centrelink's planned further modification of the portfolio/programme level of reporting on the basis of its experience with this approach in 2005–06.

34. In October 2005, the IMPC endorsed a benefits management policy for projects (although this is not yet reflected in the policy and methodology documentation for the CPMF). But this policy is not yet generally applied. In April 2006, the CPO reported to the IMPC that only 12 per cent of projects were managing and reporting benefits.

35. Notwithstanding that this policy is yet to be generally applied to Centrelink projects, the ANAO notes that the process of benefits realisation planning, monitoring and reporting that Centrelink is implementing has been positive for one of the ANAO's four case study projects, Customer Account. For example, it has allowed the agency to assess more objectively the outcomes of the Customer Account initiative, and learn lessons for the future development of online service capability.

36. Centrelink has committed itself to commissioning external reviewers to undertake Gateway reviews⁹ of all its medium and high risk projects.¹⁰ Given the number of Centrelink projects currently rated as medium or high risk,¹¹ this is a significant commitment. At the time of the audit, Centrelink was still working to achieve this goal. However, those reviews that have been undertaken to date of internally-funded Centrelink projects confirm the broader issues in project management identified in this audit and have already achieved positive results by identifying where problems are occurring and where remedial action is needed. The ANAO considers that there would be benefit in Centrelink reviewing its approach to the application of internally commissioned Gateway reviews, including considering the application of Gateway reviews at the programme of projects level.

Strategic Project Management Maturity (Chapter 5)

37. At the time of the audit, Centrelink had recognised there was an opportunity to improve its strategic management approach and had taken steps towards this. The agency's efforts in this regard are always likely to be constrained to some, perhaps ultimately a large, degree by the externally driven demands that Centrelink faces. But there is an obligation to manage Commonwealth resources properly, and Centrelink needs to proactively manage and be accountable for the results of projects.

⁹ The Gateway Process is an initiative of the United Kingdom Office of Government Commerce (OGC). Gateway reviews of programmes and projects are undertaken at critical stages in their lifecycle to provide assurance that they can progress successfully to the next stage.

¹⁰ From the 2005–06 Budget cycle, the Department of Finance and Administration (Finance) has started to require that certain initiatives/procurements undertaken by FMA Act agencies undergo 'Gateway' reviews. The Gateway process being implemented by Finance is an adaptation of the OGC Gateway process. Gateway reviews are required where: the risk of a project warrants its inclusion in the review process; and the project is either an information technology project valued at \$10 million and over or a procurement or infrastructure project valued at \$20 million and over. <www.finance.gov.au/gateway/index.html>.

¹¹ 29 out of the 30 projects in the ANAO sample were rated as medium or high risk.

38. Following the establishment of the PCB in May 2005, Centrelink has taken or continued a number of steps to further improve its strategic project management performance. These include:

- provision of reports to the IMPC at a programme of projects level rather than just at an individual project level;
- restructuring the PCB to include specific investment (portfolio level) and benefits (programme/project level) management functions;
- introduction of portfolio management, including piloting a value assessment model;
- development and introduction of a benefits management policy for projects;
- introduction of the Teamlink system, which links Infolink and Primavera so that financial and schedule information may be shared between those two systems;
- undertaking:
 - a review of the CPMF¹² and the PCB's and Centrelink's project management capability;
 - a review of arrangements for project manager training and support; and
 - a preliminary review of Centrelink's project management maturity using the Organisational Project Management 3 (OPM3) model.

39. The findings of Centrelink's own review of the PCB's and Centrelink's project management capability align very closely with the ANAO's findings from its independent and in-depth testing of Centrelink's project management approach. The finding of this review, that the PCB and the CPO have focussed in the past on the individual project level rather than on providing support for the governance and control processes that must take place to convert external demands into manageable projects, is consistent with the ANAO's conclusions.

40. Centrelink is continuing its improvement efforts through a six point plan to address the issues and improve the standard of strategic project

¹² At the time of the audit a revised draft of the CPMF had been prepared and a new Intranet site for it was being piloted.

management. In November 2006, in response to the ANAO's issues papers for this audit, the CEO of Centrelink advised:

The preliminary findings of the ANAO audit are consistent with issues Centrelink has identified through a process of critical self-review. In fact, the report notes that Centrelink has already "developed a six point plan to address the issues" raised in the report, and "improve the standard of strategic project management". The.....Six Steps, were endorsed by the Investment and Major Programmes Committee (IMPC) in July 2006 and align with ANAO recommendations.

41. The target outcomes the agency has set for itself include:

- simple independently verified reports which lead to direct IMPC intervention when required;
- Steering Committees provide consistent oversight and management of projects and subprogrammes, are recognised as well managed, and support IMPC in its strategic management of Centrelink's portfolio of work;
- Project Managers comply with the CPMF and use the processes to effectively control and consistently manage Centrelink's projects;
- Centrelink has a project management capability that has a maturity rating of 4 and is a recognised professional career for staff;
- Centrelink has an integrated portfolio of projects which are assessed, prioritised and reviewed annually, and which contribute to strategic achievement of goals and outcomes; and
- Centrelink has a mature investment management capability that provides value and return on investment.

42. Centrelink also advised the ANAO that it has added seven specific action items to the overarching Six Step process as a result of the audit. Overall, Centrelink has been and is taking positive steps to improve its strategic project management over time.

Recommendations

43. The ANAO identified opportunities for further improvement of the CPMF and for the overall management of projects. In particular, the ANAO made two recommendations aimed at improving the CPMF and the definition and planning of projects.

Centrelink Response

44. Centrelink welcomes this audit report and the collaborative manner in which the audit has been conducted and in particular that throughout the report the ANAO has recognised and acknowledged the organisational commitment to continue to improve our project management discipline.

45. We continue to work on the processes, methodologies and issues that the ANAO has canvassed. We are in the process of implementing all of the recommendations. Project management competency in the organisation has been steadily maturing over a number of years, and the current transformation activities are logical steps to shift focus from project level activities to a portfolio viewpoint. Centrelink has also endorsed a strategy to improve project management within our organisation. This strategy is designed to respond to the draft recommendations and is underpinned by an Implementation Plan that institutes rollout and cultural change.

Recommendations

Recommendation No 1

Para 2.51

In the context of completing its proposed actions for the improvement of strategic project management in the agency, the ANAO recommends that Centrelink revise the Centrelink Project Management Framework (CPMF) so that:

- governance arrangements are clear and easily understood;
- the distinctions between compulsory and discretionary elements of the framework are clarified;
- it is endorsed at a strategic level of management and properly promulgated;
- the methodology is simpler and principles-based with links to appropriate supplementary material; and
- IT tools for project management are appropriately integrated and used efficiently.

Centrelink response: Agreed.

**Recommendation
No 2**

Para 3.63

The ANAO recommends that Centrelink review the CPMF and implement control arrangements to ensure that projects are defined and planned in a way that:

- Centrelink selects internally funded projects that have organisational and service delivery benefits;
- provides a proper baseline for monitoring and informed decisions during a project's life and for assessing benefits at its conclusion; and
- interdependencies and priorities are identified and managed.

Centrelink response: Agreed.

Audit Findings and Conclusions

1. Background

This chapter provides background information on Centrelink, the projects it manages and the context in which the agency undertakes these projects. It also provides an outline of the approach taken in this audit and the report structure.

Centrelink

1.1 Centrelink is a statutory authority established under the *Commonwealth Services Delivery Agency Act 1997*. Administratively, it is an agency of the Department of Human Services within the Finance and Administration portfolio. Its role is to provide an extensive range of Australian Government payment and other services for families and parents, those looking for work, the elderly, the sick, people with a disability, students and youth. It also manages Government programmes of support in times of crises and to address special community needs.

1.2 Centrelink's annual budget is about \$2.3 billion and it makes \$63.5 billion in social security and other payments annually. It serves some 6.5 million customers at more than 1 000 service delivery points and pays 9.89 million individual entitlements each year through approximately 6.7 billion electronic customer transactions.¹³ It manages more than 140 different products on behalf of 25 policy departments and other organisations and agencies. Key policy departments for which Centrelink delivers services include the Departments of Families, Community Services and Indigenous Affairs (FaCSIA); Employment and Workplace Relations (DEWR); Veterans' Affairs (DVA); and Health and Ageing (Health).

Projects in Centrelink

1.3 As the primary social service delivery agency for the Australian Government, Centrelink is always implementing new services and changes to existing services. It is also continually adjusting its service delivery approaches to fulfil its purpose which is 'serving Australia by assisting people to become self-sufficient and supporting those in need.'¹⁴ These changes are largely effected through projects, which can be defined

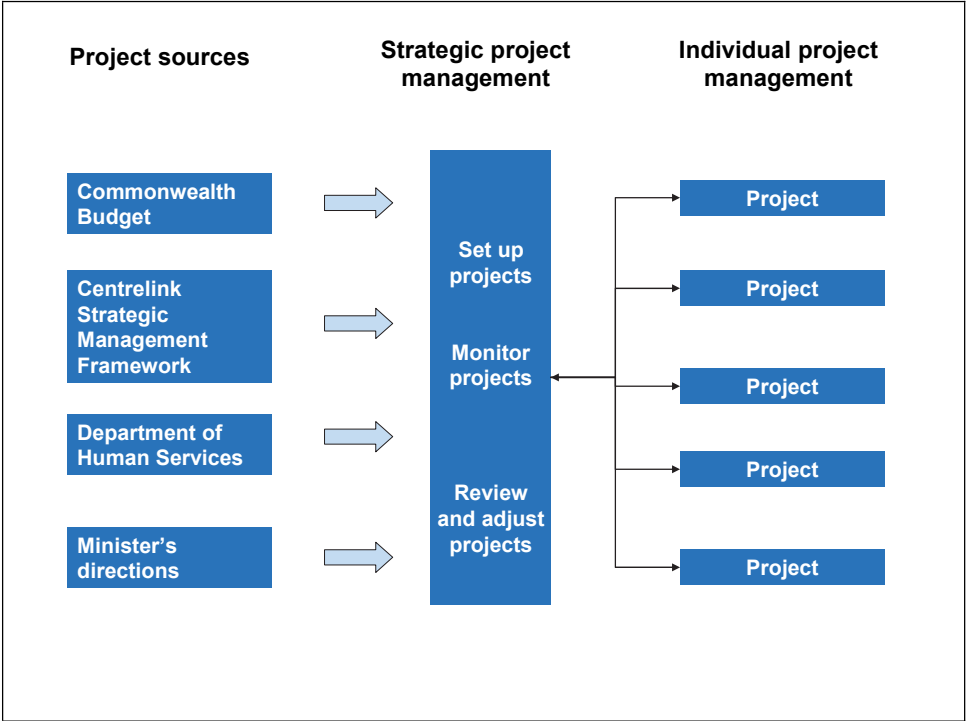
¹³ The 6.7 billion electronic transactions are comprised of around 5.2 billion mainframe online transactions, 1 billion mainframe web transactions and 500 million multi-platform (web and Interactive Voice Recognition) transactions. Centrelink Annual Report 2005–06, Centrelink, 2006, p. 9

¹⁴ *ibid.* p. 11.

as ‘temporary endeavours undertaken to create a unique product, service or result’.¹⁵ Figure 1.1 shows the context within which projects are undertaken in Centrelink.

Figure 1.1

The context of projects in Centrelink



Source: ANAO analysis

1.4 A large proportion of Centrelink’s projects come from client agencies’ Budget measures. Examples include implementation of the service delivery aspects of initiatives such as Australians Working Together¹⁶ and Welfare to Work¹⁷. Each year new measures are introduced and these often require Centrelink to make significant changes to the services it provides, or the way that it provides them. Implementation

¹⁵ Project Management Institute, A Guide to the Project Management Body of Knowledge Third Edition, Project Management Institute, Pennsylvania, 2004, p. 5.

¹⁶ In the 2001–02 and 2002–03 Budgets, the Australian Government introduced a package of measures collectively called Australians Working Together aimed at helping those of working age to move from welfare to work. The package was a response to the findings of the McClure Review of Welfare Reform. Centrelink played a major role in the implementation of the Australians Working Together measures.

¹⁷ Welfare to Work builds on Australians Working Together and is a \$3.6 billion initiative designed to assist people who can do so move from income support into work. It includes changes to income support payments, employment and related services, education and training and child care. Centrelink managed implementation of income support payment changes that came into effect on 1 July 2006.

of Budget measures requires Centrelink to complete projects within timeframes that are often dictated by the effective date of legislation.

1.5 The Joint Committee of Public Accounts and Audit (the JCPAA), in its September 2006 report on the Edge Project (which was a joint undertaking between Centrelink and FaCSIA) recognised that the pace of legislative change is an issue for Centrelink and other agencies.

The issue of struggling to keep pace with changing legislation is relevant at a larger scale than just those areas covered by Centrelink. Accordingly, the Committee makes the following recommendation:

Recommendation 18. The Committee recommends that the Department of Human Services coordinate feedback from its agencies, including Centrelink, to legislators regarding difficulties in implementation created by large numbers of rapid legislation changes. This information should be put to the Minister and the Joint Committee of Public Accounts and Audit.¹⁸

1.6 Following each Federal Budget, Centrelink is required to make adjustments in its portfolio of projects to accommodate the implementation of new Budget measures, putting its staff and systems under considerable pressure. This pressure can be increased through the funding arrangements under which Centrelink operates. Savings from the implementation of measures are oftentimes 'harvested' (that is, Centrelink's revenue is reduced up-front) in the expectation that Centrelink will achieve greater efficiency precisely in the way and at the time predicted when the Budget measures were costed.

1.7 The concept of the 'triple constraint' is well known in the project management discipline. The triple constraint refers to the cost, time and quality of project 'deliverables' (the products, services or other results that come from a project). In Centrelink's case, projects to implement Budget measures generally face fixed constraints on time and cost. At the same time, the agency's human and information technology (IT) resources available for projects are finite. If these finite resources are being used near to, or even over, capacity then additional implementation requirements will place the quality of what is delivered under pressure. Reduced quality creates a higher risk of administrative errors, client dissatisfaction and problems in processes, data and systems that will need to be corrected down the track. Any short cuts or compromises that are accepted to remain with these constraints can reduce quality but this may only manifest in the longer term.

¹⁸ Joint Committee of Public Accounts and Audit, Report 407, Review of Auditor-General's Reports 2004–2005, tabled between 18 January and 18 April, Joint Committee of Public Accounts and Audit, Canberra, 2006, pp. 85-86.

1.8 In addition to undertaking projects as a result of Budget measures, Centrelink also implements projects using internal funding to progress initiatives in line with Centrelink’s Strategic Directions, which set out Centrelink’s purpose, strategic themes, strategic priorities and core business processes.¹⁹ These projects take up a minor proportion of the total funding for all projects. Table 1.1 shows the sources of funding for Centrelink projects.

Table 1.1

Funding sources for Centrelink Projects – 2006–07

	Budget funded	Internally Funded
Percentage of funding	86.1 per cent	13.9 per cent
Percentage of projects	90 per cent	10 per cent
Average annual budget for 2006–07	\$1.1 million	\$1.4 million
Largest project annual budget	\$8.0 million	\$4.0 million
Smallest project annual budget	\$0.1 million	\$0.1 million

Source: Centrelink Project Coordination Branch, current as at 30 September 2006

1.9 As an agency of the Department of Human Services, Centrelink may also be required to undertake projects, or components of projects, to meet priorities identified by the department and/or the Minister for Human Services. All of these various demands converge on Centrelink, but they can rarely be expressed in project terms, that is, as a requirement for products or services of a specified quality, to be delivered according to a predetermined schedule and at a specified cost.

1.10 For example, a major Budget measure may require significant changes to Centrelink’s applications, infrastructure, processes and/or workforce. At the time the measure is developed sufficient information will be drawn together to support a costing for the necessary change, to identify clearly its objectives and, at a high level, to specify the kinds of products and services Centrelink is to deliver. From this point there is still much to be done to define individual projects that can be managed effectively through the application of knowledge, skills, tools and techniques to project activities to meet project requirements.²⁰

1.11 Figure 1.1 shows that between the sources of projects and the management of individual projects there is the need for a strategic²¹, central level of project

¹⁹ Centrelink, Annual Report 2005–06, Centrelink, 2006, p. 10.

²⁰ PMBoK, p. 37.

²¹ In the sense that it is an activity that is conducted by senior managers within the agency and is focussed on longer term objectives essential to the achievement of Centrelink’s mission.

management. In Centrelink, as in other organisations, project management at this level should involve:

- establishing a *control framework* incorporating:
 - processes, systems and work aids that can be utilised flexibly by individual projects to achieve project objectives;
 - high level governance, project review and project support functions, typically including a committee with responsibility for overseeing the whole portfolio of projects and a projects office; and
 - a human resource capability to manage individual projects;
- *defining* how Budget and internal funding should be invested in individual projects in a way that:
 - ensures projects with similar aims are managed effectively so that crossovers and wasted effort are minimised and that opportunities for effective, collective effort are maximised;
 - establishes key project *baseline* parameters including budget, schedule, deliverables and project benefits and how they will be measured;
- *monitoring* of project *performance* and *reviewing* projects to ensure that they produce the required outputs, achieve the expected benefits, meet the expectations of external stakeholders and contribute to Centrelink's strategic objectives.²²

1.12 In the 2005–06 financial year Centrelink managed 134 projects, organised into eleven agency programmes. The following table shows the costs of these programmes for 2005–06.

²² Source: ANAO analysis of better practice materials and CPMF.

Table 1.2**Expected cost of Centrelink projects, 2005–06**

Centrelink Programme	No of Projects	Cost \$ million
IT Refresh	39	47.7
Families, Seniors, Rural and Community	41	19.9
Customer Service Strategy	7	1.2
Welfare to Work	9	44.6
Corporate IT systems	3	1.2
Communication	3	2.9
Business Integrity	17	5.4
People and Planning	4	2.1
Employment, Disability and Education	5	3.6
Customer Service Delivery	1	1.2
Customer Service Design and Implementation	5	14.9
Total, all projects	134	144.7

Source: Centrelink Project Coordination Branch

1.13 This amount represents approximately six percent of Centrelink’s annual departmental recurrent budget of \$2.3 billion. The complexity of projects varies widely. Some are multi-phase, multi-year projects that will have a significant impact on Centrelink’s service delivery and internal business practices. Others are smaller, single year projects aimed at achieving incremental improvement. The annual cost of individual projects has ranged between \$20 000 and \$29 million. Projects cover many areas: they include major information systems development to support changes in income support payments, infrastructure procurement and internal capability projects such as implementing structured training for staff.

1.14 Accordingly Centrelink’s portfolio of projects includes projects which are:

- complex and/or broad in scope;
- critical to the delivery of government services; and/or
- material in financial terms.

1.15 Difficulties in delivering project outputs on time, within budget and to the required standard could create risks for government services and Centrelink’s internal processes. Centrelink has recognised that, to manage these risks, the agency needs to implement an effective strategic project management approach that applies

to all projects. Centrelink's current approach to project management is articulated in the Centrelink Project Management Framework (CPMF). The CPMF was introduced in 2000 and has been refined and developed over time. All projects in Centrelink are subject to this framework.

1.16 The CPMF at the time of the audit comprised:

- governance arrangements for projects, including a committee structure. The main committee is the Investment and Major Projects Committee (IMPC);
- project management policy and standards;
- standardised processes and workflows;
- a project lifecycle; and
- project management techniques, tools and templates.

1.17 The CPMF is administered by the Centrelink Projects Office (CPO) within Project Coordination Branch (PCB). The CPO develops and maintains the CPMF and coordinates training, access to resources and support for project managers. In addition, the CPO provides secretariat services for the IMPC.

1.18 In October 2005, IMPC implemented the Centrelink Benefits Management Policy and Framework. The Policy states that Benefits Management has been introduced into Centrelink to increase the likelihood of benefits being delivered through the investments it makes in business change programs. Centrelink says the framework applies an outcome and values based approach that involves the comparison of risk, costs and benefits to the selection and management of the investments it makes in building and maintaining the organisational capability required to deliver its day to day operations and strategic direction. In this way, IMPC can make explicit decisions about which projects to approve for each Centrelink programme, which to terminate and which to amend to deliver the organisation's goals. Benefits management is also coordinated within the PCB.

Audit approach

1.19 The objective of the audit was to assess the effectiveness of the major elements of Centrelink's central, strategic level project management arrangements, as defined in the Centrelink Project Management Framework. It focused on how well:

- the CPMF supports better management and service delivery in Centrelink;
- the CPMF supports project managers and projects to comply with better project management principles, relevant legislation and guidelines; and

- Centrelink monitors project performance and encourages the attainment of project objectives.

1.20 The audit examined all aspects of Centrelink's Project Management Framework, assessing it against the following criteria:

- the CPMF is consistent with the standards for project management that Centrelink has chosen to adopt;
- projects are managed in accordance with the CPMF requirements;
- Centrelink's monitoring approach is consistent, that is, all projects are monitored centrally utilising a consistent approach, taking into account project risks and their importance to the organisation;
- projects are monitored and reviewed to ensure they achieve their objectives, including being on time, on budget and producing quality services; and
- the CPMF is a mature framework for the management of projects within the Centrelink organisational context and supports the achievement of Centrelink's objectives, projected return on investment and other project benefits as well as ensuring that individual projects meet their goals.

1.21 Underpinning these criteria is the expectation that Centrelink should take an approach to project management that:

- draws appropriately from the project management discipline and standards;
- applies guidelines and lessons from better practice specific to Australian government agencies;²³
- is adapted to cope with the constraints imposed by Budget measures, funding arrangements and internal capacity constraints on the agency; and
- at the same time, ensures that accountability for project outputs and outcomes is appropriately allocated within the agency.

²³ On 16 October 2006, after fieldwork for this audit had been concluded, the Auditor-General and the Secretary of the Department of the Prime Minister and Cabinet (PM&C) launched the better practice guide, *Implementation of Programme and Policy Initiatives – Making implementation matter*. This guide, a collaborative effort of the ANAO and PM&C, is intended to assist agencies in the stewardship of public money invested in projects and programmes that significantly affect the interest and well-being of Australia's citizens and businesses. The guide can be accessed at <<http://www.anao.gov.au/director/publications/betterpracguides.cfm>>. Further guidance is available to agencies in the Cabinet Implementation Unit's *Guide to Preparing Implementation Guides*, which was last viewed at <http://www.pmc.gov.au/implementation/implementation_guide.cfm> on 30 November 2006.

Scope and methodology

1.22 The focus of the audit was Centrelink's strategic project management arrangements rather than the effectiveness of project management at the individual project level. It included:

- a review of key documentation, including the CPMF;
- observation of project management practices and confirmation of findings with key staff;
- an assessment of the outputs and efficiency and effectiveness of the role played by the PCB and the key project information it produces in collaboration with individual project managers;
- analysis of a sample of 30 projects to review for adherence to the CPMF; and
- a more detailed review of four individual projects to gain additional information for an assessment of central, strategic project management arrangements.

1.23 The fieldwork phase of the audit, in which the ANAO collected and analysed evidence, was largely conducted between February and June 2006. The findings and conclusions of this audit accordingly reflect the practices of Centrelink up to the end of that period of time. Subsequently, as a result of its own internal reviews and in response to issues raised by the ANAO during the audit, Centrelink has implemented a number of initiatives to improve its strategic project management practices. These initiatives are summarised in Chapter 5 of this report.

Assistance to the audit

1.24 The ANAO engaged Resolution Consulting Pty Ltd to provide consulting assistance in undertaking this audit. The audit was conducted in accordance with the ANAO Auditing Standards, at a cost to the ANAO of approximately \$305 000.

Previous audits and reports

1.25 Previous audits have examined aspects of project management in Centrelink. Audit Report No 40 2004–2005, *The Edge Project*, examined a major \$65 million project that the agency undertook in conjunction with the then Department of Family and Community Services to develop an expert system for the Family Assistance Office. The audit found that the project was:

over time, over budget and terminated before completion. Direct financial savings from the project were not realised and the project was unsuccessful when assessed

against its aims. There were deficiencies ... particularly in the governance of the project²⁴.

1.26 The audit made two recommendations relevant to project management that aimed at improving the agencies' project business cases and governance of projects.

1.27 Audit Report No.9 2003–2004, *Business Continuity Management and Emergency Management in Centrelink*, assessed whether Centrelink had effective Business Continuity Management and related risk management procedures and plans. As part of this audit the ANAO analysed the business continuity component of project plans. It found that business continuity plans had been prepared for only a small proportion of established projects and a lack of central recording and oversight by the CPO and Business Continuity Unit. The audit made one recommendation relevant to project management.²⁵

1.28 Centrelink agreed with these three recommendations. In its 2004–2005 annual report, the agency stated that it had taken action to ensure that the problems identified are not repeated, by improving governance arrangements and project management and review processes for major projects²⁶.

1.29 This audit of project management provided an opportunity to consider Centrelink's response to the ANAO's recommendations in these previous audits and the extent to which the agency has implemented its broader commitment to effective project management.

Structure of report

1.30 This chapter provides background information on Centrelink, the projects it manages and the context in which the agency undertakes these projects. It also provides an outline of the approach taken in this audit.

1.31 Chapter 2 reviews the policy, method and procedures that together constitute Centrelink's Project Management Framework. Chapter 3 examines projects' adherence to the CPMF requirements for project definition, including planning

²⁴ Australian National Audit Office, Audit Report No 40 of 2004–05, *The Edge Project* (Department of Family & Community Services and Centrelink), paragraph 66, p. 24.

²⁵ Recommendation No.3 at paragraph 4.23 of the report recommended that, in order to ensure continuity treatments are adequately addressed for new project, Centrelink:

- (a) centrally record the business continuity sections of project plans to provide the capacity for subsequent analysis of the business continuity provided; and
- (b) institute an oversight function to check that business continuity treatments for new projects have been undertaken in accordance with the relevant section of each project plan.

²⁶ Centrelink, op., cit., p. 10.

requirements, based on a review of 30 projects. It also discusses how project definition operates in practice, drawing on case studies of four projects.

1.32 Chapter 4 discusses projects' adherence to the CPMF requirements for project monitoring and review, the approach to monitoring and review taken by the CPO and the IMPC, and the adequacy of Centrelink initiatives to improve monitoring and review arrangements.

1.33 Chapter 5 discusses the overall maturity of Centrelink's strategic project management approach and broad directions the agency could pursue for improvement.

2. Centrelink's Project Management Framework

This chapter reviews the policy, method and procedures that together constitute Centrelink's Project Management Framework.

The project management discipline

2.1 Project management is a professional discipline and there is a substantial body of knowledge, including standards and better practice materials, on the subject. Centrelink has adopted one internationally accepted and utilised standard, the Project Management Body of Knowledge (PMBoK) as the basis for its project management framework. PMBoK has International Standards Organisation (ISO) 9 001 certification and is an American National Standards Institute (ANSI) standard. PMBoK provides a comprehensive framework covering all aspects of project management. PMBoK:

documents information needed to initiate, plan, execute, monitor and control, and close a single project, and identifies those project management practices that have been recognised as good practice on most projects, most of the time. These processes apply globally and across industry groups.²⁷

2.2 Project management is accomplished through these processes, and by utilising project management skills and knowledge, tools and techniques. Project managers and teams need to tailor project management processes to suit project circumstances, including deciding which ones are appropriate, and the degree of rigour to be applied²⁸. For example, a project to acquire a single piece of capital equipment for \$50 000 would generally not require complex planning and close monitoring whereas a project for the development of a large office complex would. Appendix 1 provides further information about PMBoK.

2.3 Centrelink also draws on other sources. For example it applies PRINCE2 (Projects in Controlled Environments 2), which is a widely utilised project management method in both public and private sectors. PRINCE2 addresses the organisation, management and control of projects. It was developed by the Office of Government Commerce (OGC) as a United Kingdom Government standard for IT project management.

²⁷ PMBoK, op., cit., p. 37.

²⁸ PMBoK, *ibid.*

2.4 A major development in project management in recent years, and of particular relevance to this audit, has been the formulation of project management maturity models and enterprise-wide project management approaches that look at project management from a strategic organisational perspective, rather than an individual project one. The project management maturity models are particularly relevant in assessing how well developed, or mature, strategic project management processes and approaches are within an organisation. Among these are Organisational Project Management 3 (OPM3) and OGC's Portfolio, Programme and Project Management Maturity Model (P3M3). During the course of the audit Centrelink undertook a preliminary OPM3 review. The ANAO utilised P3M3 in making its overall assessment of Centrelink's strategic project management approach. The findings from this assessment are presented in Chapter 5 (see paragraphs 5.13 to 5.18) of this report.

2.5 Centrelink has recognised the opportunities presented by the use of project measurement standards and reference to better practice to assist Centrelink's Chief Executive Officer to meet the *Financial Management and Accountability Act 1997* (Cth) (FMA Act) requirement to promote the proper use of the Commonwealth's resources²⁹. The ANAO considers that the agency's adoption of PMBoK, use of PRINCE2 and the recent preliminary OPM3 review undertaken by the PCB have been useful in that regard.

2.6 To inform the ANAO's assessment of the effectiveness of Centrelink's central, strategic level project management arrangements, the ANAO developed the matrix set out in Table 2.1 through analysis of better practice sources including PMBoK, PRINCE2 and OPM3, and of Centrelink's internal adaptation of these sources as reflected in the CPMF.

²⁹ Section 44 of the *Financial Management and Accountability Act 1997* (Cth) (FMA Act).

Figure 2.1

A matrix for strategic project management

Process	Portfolio	Programme	Project
Define	<ul style="list-style-type: none">• Benefits to be achieved• Timeframe• Amount of investment	<ul style="list-style-type: none">• Organisational capability that will produce benefits• Structure of projects that will produce capability efficiently and effectively	<ul style="list-style-type: none">• Products and services to be delivered• Budget• Schedule• Approach to risk management• Phases and review points
BASELINE			
Monitor	<ul style="list-style-type: none">• Achievement of benefits• Stakeholder satisfaction	<ul style="list-style-type: none">• Delivery of capability• Performance of individual projects	<ul style="list-style-type: none">• Cost• Quality• Schedule• Risks and issues
ACTUAL PERFORMANCE			
Review	<ul style="list-style-type: none">• Against investor expectations	<ul style="list-style-type: none">• Impact of project changes on capability	<ul style="list-style-type: none">• At go/no go decision points• Whenever there are changes in scope, budget, quality, schedule

Source: ANAO analysis of better practice sources including PMBoK, PRINCE 2, OPM3 and P3M3 and of Centrelink internal documentation.

2.7 Table 2.1 shows, following project management better practice, that strategic project management takes place at the portfolio, programme and project levels. It is important that an agency take each of these levels into consideration as it goes through the processes of defining, monitoring and reviewing projects.

2.8 The process begins at the portfolio, or whole of agency, level in the design stage with consideration of the various opportunities for investment in projects including how much to invest and the timeframe for the investment. For Centrelink, as discussed in Chapter 1, this is largely determined by Budget measures which are generally formulated by the relevant policy department. However, Centrelink has some capacity to invest in projects and it is important for the agency to answer this question for projects funded internally.

2.9 In the case of Budget-funded projects, Centrelink is required to achieve the benefits that are specified in the Budget measure. However, for its internally funded projects Centrelink has the opportunity to define the expected benefits of a project,

and to demonstrate how these align with Centrelink's strategic objectives and Government priorities. A comprehensive description of expected benefits - financial and non-financial, qualitative and quantitative – should be developed in the planning stage of such projects.

2.10 The next consideration is to define programmes of projects, which are groups of projects aimed at meeting specified objectives or delivering a specific service capability. For example, to provide online, web-enabled customer information summary and edit functionality for Customer Service Officers, Centrelink might need to undertake internal development of software, acquire capital equipment, improve network speed and data capacity and undertake significant change management in the customer service network. This might require a number of projects, but they all share a common objective: to develop a better service capability.

2.11 Once decisions at the portfolio and project programme level are made, individual projects can then be defined. A key advantage of adopting the portfolio and project programme approach to project definition is that the agency can communicate investment priorities and objectives to individual project managers so that they have an organisational perspective and can contribute proactively to achieving higher level objectives.

2.12 Proper project definition will provide baseline metrics to support project monitoring. Monitoring needs to be at all three levels:

- day to day monitoring will occur at the individual project level;
- at regular intervals, review of the performance of individual projects in terms of keeping to budget and schedule, managing risks and producing deliverables; and
- less frequently, but vitally, consideration at a more strategic level of management of whether projects are together assisting Centrelink to develop capacity and realise projected benefits.

2.13 If actual performance at any of the three levels is not going to plan, or there are changes in investment strategy or capability requirements, then project budgets, schedules and/or quality settings will need to be reviewed and changed to realign them with higher level objectives. As well as reviewing projects based on monitoring information, it is also good practice to make provision for periodic reviews, perhaps incorporating 'go/no go' decision points, for major projects.

2.14 Centrelink's approach to strategic project management is given effect through the CPMF, which incorporates policy, methodology and organisational level support for project management through the CPO.

Centrelink's project management policy

2.15 Section 44 of the FMA Act requires the CEO of Centrelink to manage the resources of Centrelink to promote the efficient, effective and ethical use of Commonwealth resources. One way that the CEO can give effect to this requirement is to issue Chief Executive Instructions (CEIs) or other formal policy instructions covering important aspects of administration. Whether issued through CEIs or in some other way, the CEO should also put in place control arrangements to ensure that there is compliance with policies.

2.16 The CEO of Centrelink has issued a CEI that requires the Chief Information Officer to endorse the systems development life cycle applying to information technology components of Centrelink projects. The Centrelink Project Management Policy (the Policy), which is applicable to all projects including those with an IT component, is not issued by way of a CEI but is instead maintained by the PCB and made available to staff on Centrenet (the Centrelink intranet) and through the CPMF Methodology Manual issued in December 2005.

2.17 The Policy defines a project as an initiative or piece of work which has a defined purpose, deliverable(s), timeframe and cost and states that they are the most effective means by which business strategy and change is implemented. Projects are grouped into programmes (a structured grouping of projects designed to produce clearly identified business results³⁰) and programmes into portfolios (a structured grouping of programmes, selected to achieve the best overall business results for the organisation), in accordance with project management better practice. The definitions of 'programme' and 'portfolio' in this project management sense are different to the meaning more usually given to these words in Centrelink in the context of speaking of government programmes and ministerial portfolios. There has been some discussion in Centrelink about when and how these terms should be applied.

2.18 The Policy mandates the use of the CPMF for all projects in Centrelink, including the guidelines, workflows and generic methodology/lifecycle that form the Framework. The CPMF is to be applied in a consistent and 'scalable' (that is adapted to suit the level of complexity and risk of particular projects) manner.

2.19 For larger projects requiring a more detailed methodology the Policy provides that a specific methodology can be used, provided that it is consistent with the CPMF and approved by the project business owner.

³⁰ For example, the IT Refresh programme.

2.20 The Policy describes the role of the IMPC, a senior executive level committee chaired by the Deputy Chief Executive Officer, Customer Service Delivery. The IMPC is responsible for monitoring and prioritisation of major projects/programmes, ensuring that projects and programmes deliver prescribed benefits and for monitoring the effectiveness of the project management framework. The IMPC is to appoint project managers who are accredited in the use of the CPMF.

2.21 The Policy defines roles and responsibilities for key players in projects, including business owners, programme managers, project managers, stakeholders, service providers, product/service owners, I&T Project Coordinators, Funds Managers, Management Accountants, I&T Front Door and Steering Committees.

2.22 The ANAO considers that the Centrelink Project Management Policy provides good coverage of the kinds of issues necessary to establish the basis for consistent, centrally controlled and strategic level project management. It mandates a single project management framework that can be adapted to the requirements of individual projects and specifies roles and responsibilities under this framework.

2.23 Given that CPMF represents the group of controls through which the Centrelink Executive seeks to ensure that projects are directed towards achieving organisational objectives, it is critical that there is a process at senior management level to endorse and maintain it, and then give it effect. The process by which authority is given to components of the CPMF (including policy, processes, procedures and workflows) and by which they are communicated to project sponsors, managers and staff, other than the methodology for IT projects, was not effective at the time of audit fieldwork. One indication of this was that the versions of the Policy on Centrenet and in the CPMF Methodology Manual (which is the paper version of CPMF) differed in some matters of substance.

2.24 Another indication is the extent to which the Centrelink Projects Register (CPR) is used across the organisation. The CPR is intended to be used for the creation and maintenance of a standard set of information about proposals and projects in Centrelink. The CPO uses it as one of the sources of information in preparing its monitoring reports to IMPC. It plays a central role and has been a pivotal tool in giving effect to the CPMF. The CPMF workflows provide more detail on the information that is to be held in the CPR and project managers are advised annually that they must maintain project information in the CPR. However, the ANAO noted the lack of a specific statement mandating use of the CPR in the documentation making up the CPMF. Centrelink advised the ANAO that the policy regarding the use

of CPR is implied, rather than expressly stated.³¹ The status of the CPR and more broadly the CPMF, and which elements of it are mandatory and which are guidance for project managers, were unclear.

2.25 While it is not necessary for policies to be instituted by way of CEIs, CEIs do have authority based in the FMA Act and Centrelink might consider the advantages of using this approach for specifying project management policy. Alternatively the CEO could charge the IMPC with examining and then formally endorsing a revised Project Management Policy.

2.26 The ANAO considers that the way in which the CPMF has been promulgated did not in itself provide for fully effective control and transparency around projects at the strategic level. While Centrelink has other controls in place overlooked by the Audit and Risk Committee to mitigate these risks, the ANAO considers that there is an opportunity for the PCB to strengthen the CPMF risk processes to better manage a broad range of potential issues. These risks could include:

- that there will be a lack of understanding and shared commitment to a project management approach among senior managers;
- the inability to communicate expectations and requirements clearly to staff;
- the inability to develop and maintain tools to assist project managers;
- confusion from project managers about what they should do to comply with the CPMF policy and methodology;
- emergence of variations in the way that projects are managed, some of which may be better practice but others which may not;
- the inability to monitor performance, and effectively enforce the framework and use of tools;
- lack of accountability among senior managers for the outcomes of projects;
- decisions of senior executive and commitments not given effect; and
- lack of mandate for the role of the CPO.

2.27 If these risks are not managed effectively, projects may not always be effective in delivering on their requirements and will not necessarily support achievement of broader organisational objectives. The extent to which these risks have been realised in Centrelink and their consequences are addressed in Chapters 3 and 4 which describe actual project management practice in Centrelink.

³¹ Advice from National Manager, Project Coordination Branch to ANAO, 28 April 2006.

Centrelink's project management methodology

Project lifecycle

2.28 The CPMF is based on a lifecycle approach that requires projects to be managed through sequential steps. This lifecycle approach has five major stages, shown in Table 2.2. It is consistent with accepted better practice in the project management discipline. Centrelink has modified the generic lifecycle suggested by PMBoK to reflect the context of Centrelink projects and operational requirements. It also incorporates a parallel lifecycle for the information technology component of projects.

2.29 The CPMF defines two different project inception/definition approaches to be taken depending on whether a project comes from an external (Budget-funded, client agency) requirement or from an internal priority. The key difference is that internally developed projects need to put forward a project proposal to the IMPC so that the IMPC can determine whether the project is feasible. Budget-funded projects do not need a project proposal as the Budget measure provides the basis for proceeding to project scoping.

2.30 The CPMF, as promulgated to Centrelink staff, states that 'the define-concept' phase, in which business cases for projects are presented to the IMPC 'applies to all projects, including internal projects and Client-funded projects'.³² However Centrelink advised the ANAO in November 2006 that 'only internal projects require business cases'.³³

2.31 In the ANAO's view, and this is discussed more in Chapter 3, business cases, or detailed scoping documents like them, are critical for defining projects and perhaps particularly so in the case of projects that come from Budget measures. Budget measures are often framed at the portfolio level, that is, they specify an investment amount, a timeframe and desired benefits or perhaps at the programme level, specifying the capability to be delivered. Consistent with the framework for strategic project management shown at Figure 2.1 Centrelink must then define the structure of projects and the individual projects that will produce the desired capability and benefits efficiently and effectively within the budget and time parameters. Business cases, or a similar document, would provide a way for Centrelink to scope projects funded from Budget measures in detail before project planning starts and help it to

³² Centrenet, accessed 9 March 2006.

³³ Letter from the CEO, Centrelink to the ANAO, 3 November 2006.

address a risk that is identified in the joint ANAO/PM&C Better Practice Guide, *Implementation of programme and Policy Initiatives – Making implementation matter*:

A policy initiative is more likely to achieve the best possible outcomes when the question of how the policy is to be implemented has been an integral part of policy design.

Where this does not receive sufficient and early attention, problems may arise during subsequent implementation. These problems may include: sub-optimal delivery methods;; overambitious timeframes; resources not being available when required; inappropriate skills or capability for the initiative; and insufficient contingency planning.³⁴

2.32 At a more detailed level the framework methodology includes workflows and procedures. The CPO developed them in consultation with project managers, stakeholders and service providers. The workflows comprise a detailed sequence of activities and allocate responsibility for the activities. CPO completed a review of the workflows in May 2003. The procedures included in the framework methodology cover the following areas:

- Configuration management;
- Document control;
- Issues management;
- Quality planning;
- Risk management; and
- Product review.

2.33 The Centrelink I&T Project Lifecycle, the 'Red Book', provides a method for managing the IT components of projects through Analysis, Design, Construction, Testing and Implementation phases. While other methods are available for IT projects, the Red Book is the only methodology currently approved by the Chief Information Officer for use in Centrelink IT projects.

³⁴ Department of the Prime Minister and Cabinet and the ANAO, *Implementation of Programme and Policy Initiatives – Making implementation matter*, October 2006, p. 5.

Table 2.1**Centrelink project lifecycle**

Phase	Description
Define – concept	The define-concept sub phase's purpose is to determine whether a concept for a project is worthwhile. This is done through producing and appraising a <i>Project Proposal</i> . It does not apply for Budget-funded projects.
Define – feasibility	This sub-phase determines whether a proposed project will provide a 'reasonable' return from the resources invested, through assessing a <i>Business Case</i> . Business Cases can be based upon meeting legislation, regulations or policies, achieving net financial benefits or achieving Centrelink business strategies. Projects with an information technology component need a <i>Business Requirements</i> document.
Plan Phase	This phase results in a <i>Project Management Plan</i> (PMP) appropriate to the specific needs and characteristics of each project. The PMP is intended to be a dynamic documented that is used and updated throughout a project.
Implement Phase	The objective of this phase is to produce the required services and products on time, within budget and to the required level of quality according to the PMP. It involves managing a project, including allocation and performance of project tasks according to schedule, controlling project expenditure according to plan and budget and managing project risks. During this phase the project manager will update the PMP and produce <i>Status Reports</i> , <i>Variance Reports</i> and <i>Change Requests</i> .
Close Phase	The Close Phase involves handing over the project deliverables to maintenance or operations, and wrapping up the administration of the project including finalising outstanding bills and demobilising the project team. The Phase culminates with production of a <i>Project Closure Report</i> .
Review Phase	Most projects require a Post Implementation Review, which is preferably carried out one to six months after project closure.

Source: Centrelink CPMF and ANAO analysis. Italics denote key project documents, for which there are standard templates in the CPMF.

Information systems and tools

2.34 The CPO and the PCB have set up a number of information systems and tools to assist project managers and to harvest monitoring information for the IMPC.

2.35 As noted in paragraph 2.24, the Centrelink Projects Register (CPR) makes provision for the maintenance of a standard set of information about proposals and projects in Centrelink. This database can potentially provide information on project progress, funding, administrative arrangements, risks and issues, benefits and impacts. The CPR is also a potential repository for key project documentation including project proposals, business cases and costings, business requirements, IMPC decisions, project management plans, change requests, reviews, closure reports and post implementation reviews. The CPR is a critically placed control for strategic monitoring as it can provide a way of consolidating key, standard project documentation in one readily accessible location. However, the ANAO found that, at the time of the audit, the CPR was not kept up to date and that some parts of it were

not used at all, making it unreliable as a source of monitoring information. This issue is discussed in more detail in Chapter 3 of this report.

2.36 The Project Managers Team Room is intended to provide project managers with an electronic forum for sharing information and a repository of project management tools and information. The ANAO found that the Team Room had not been maintained and so did not provide a useful tool for project managers.

2.37 Infolink is Centrelink's financial management system. Each project is set up in Infolink as a discrete cost centre for the accumulation of costs. Cost and asset plans and expense and capital budgets for projects are maintained in Infolink. Expenditure, savings and revenues from projects are tracked and reported using Infolink.

2.38 The CPO has implemented Primavera IT Project Office, a project scheduling software package which provides tools for:

- developing project schedules including tasks, timeframes and resource allocation;
- maintaining and quality assuring project schedules;
- tracking staff time on tasks;
- monitoring and reporting on progress; and
- aiding analysis of variances from schedules and informing decisions for corrective action.

2.39 Until recently, information could not be passed automatically between the Primavera and Infolink systems. This resulted in some inefficiency in preparing work breakdown structures and collating cost information, and subsequently in preparing monitoring information for the IMPC. During the ANAO audit, Centrelink implemented an electronic link between the two systems, Teamlink. As this innovation had just been introduced, the ANAO did not have an opportunity to assess its effectiveness. However, the ANAO considers this integration of tools to be a useful initiative and supports Centrelink's intention to make it fully effective.

2.40 The ANAO considers that the tools Centrelink has implemented are of a kind that can support good strategic project management and contribute to the type of project management culture Centrelink is seeking to implement. While Centrelink has not yet fully reaped the benefits of using the tools, the agency is continuously improving its use of them. In the course of the audit the ANAO advised Centrelink that, given that it has not been populated and updated by project managers, the CPR inhibits improvement in that it does not appear to add value to the CPO monitoring processes or assist project managers. To the extent that it is used by the CPO and

project managers it consumes time and effort that could be used on more productive monitoring efforts using tools like Primavera and Infolink, and on the further development of these tools to fill the key space in the control framework that the CPR occupies.

2.41 Centrelink agreed with this assessment, advising the ANAO in October 2006 that:

Project management practices and processes in Centrelink have matured considerably since the inception of the CPR, but the tool has not evolved to keep pace with the maturing organisation and other control mechanisms have been implemented to compensate for the shortcomings of the CPR (e.g. Primavera, Infolink, monthly project reporting and other control sheets). Similarly, the Project Manager's Teamroom has not kept pace with developments and has been superseded by a website redevelopment and regular monthly project managers meetings. Centrelink agrees with the ANAO assessment that the CPR is unreliable as a source of monitoring information and acknowledges that these tools are no longer effective for monitoring or analysis. Since the conclusion of ANAO analysis, the Teamroom has been decommissioned, and the CPR is part of a broader review of project management tools in our Six Steps.³⁵

Organisational arrangements

Role of the Centrelink Projects Office

2.42 International better practice in project management has identified that in larger organisations there can be value in setting up a project management office, like the CPO, to centralise and coordinate the management of projects. PMBoK identifies a number of key functions of project management offices, which are shown in the following table.

³⁵ Letter from the CEO of Centrelink to the ANAO, 3 November 2006. The Six Steps review is a Centrelink initiated process for improving project management performance that commenced as the fieldwork phase for the audit was ending. It is discussed in detail in Chapter 5.

Figure 2.2

Functions of project management offices

- Shared and coordinated resources across all projects administered by the PMO
- Identification and development of project management methodology, best practice, and standards
- Clearinghouse and management for project policies, procedures, templates, and other shared documentation
- Centralised configuration management for all projects administered by the PMO
- Centralised repository and management for both shared and unique risks for all projects
- Central office for operation and management of project tools, such as enterprise-wide project management software
- Central coordination of communication management across projects
- A mentoring platform for project managers
- Central monitoring of all PMO project timelines and budgets, usually at the enterprise level
- Coordination of overall project quality standards between the project manager and any internal or external quality personnel or standards organisation

Source: PMBoK, p. 18

2.43 From this figure it can be seen that a project management office can play an effective role in establishing a central, strategic level of project management within an organisation.

2.44 While PMBoK does not mandate use of a project management office, it does point very clearly to a range of functions that need to be undertaken at the organisation-wide level. These functions promote adequate management control over projects, both through having competent project managers attuned to the broader environment, and through processes and procedures that ensure a good fit between projects and organisational priorities, resources and the benefits sought. Project management offices can be an effective control in these regards. The ANAO considers that better practice for agencies managing a number of more complex projects is to have an organisational unit performing the kinds of functions described in PMBoK for a project management office.

2.45 The roles for the CPO are defined in CPMF as follows:

- providing and coordinating advice to the IMPC;
- the maintenance of the CPMF, support processes and mechanisms;
- coordination and monitoring of the Centrelink Project Programme;
- providing support and advice to the business owners and project managers;

- providing analysis and advice on the project management issues and individual projects;
- development of tools and training to support project management;
- provision of secretariat services to IMPC; and
- supporting and accrediting project managers in the use of the Centrelink Project Management Framework.

2.46 The roles of the CPO are consistent with the roles for project management offices outlined in PMBoK at an operational support level—that is, as a provider of project management support to individual project managers. However, the ANAO found that the CPO will need further development to adequately undertake a central, strategic project management function as envisaged in PMBoK. PMBoK notes that differences may arise between an organisation's project managers and its project management office as they pursue different objectives, but overall everyone's efforts must be aligned with the strategic needs of the organisation.³⁶ The ANAO considers that it is important that the CPO develop a stronger strategic focus and work more closely in partnership with project sponsors and managers.

Project manager training and status

2.47 In its response to the ANAO's audit of the Edge Project, Centrelink stated that it had introduced mandatory qualifications for all project managers.³⁷ This audit provided an opportunity to consider Centrelink's progress in implementing these mandatory qualifications. The PCB reported to the IMPC in October 2005 that 'the existing training programme for project managers, and its administration, is inadequate and not fulfilling its purpose'.³⁸ Of the 73 project managers in 2005–06, 23 had at that time completed a diploma in project management, nine were completing it and 40 had not enrolled.

2.48 The IMPC agreed in response to the PCB's report that a much more disciplined approach needed to be taken. This included a requirement that the CPO check the qualification status of project managers to ensure that experienced and qualified people are selected for critical projects. The IMPC requested that the PCB prepare a report on a review of project managers. The PCB did this in April 2006 and further advised the IMPC that it planned to develop, by 30 June 2006, a project

³⁶ *ibid.*, p. 18.

³⁷ Audit Report No 40 of 2004–05, *Edge Project*, op., cit. paragraph 4.66

³⁸ Investment and Major Projects Committee, Agenda Item 6.1, 6 October 2005.

management capability strategy including project management career pathways, a 'pool' arrangement of project managers, and a professional development and support framework.

2.49 The ANAO requested that Centrelink provide an update of the status of project managers' qualifications following completion of the fieldwork component of the audit and Centrelink advised the ANAO in November 2006 that:

Centrelink strives at all times to utilise experienced Project Managers within the relevant areas. As at 24 October 2006, of the 83 Project Managers in place, 38 had Diploma qualifications, 20 were studying to obtain this qualification and three were contractors. This indicates considerable improvement since the October 2005 report. Work within this area is continuing to progress.

The IMPC has charged the PCB with proposing a project management career pathway for staff that can be implemented in time for the next financial year [2007–08] process. The Six Steps milestones include a review of the project manager competency framework, assessment of skills, and identification of demand and supply levels within the organisation as well as the implementation of a career pathway.³⁹

2.50 The ANAO considers that Centrelink's plans for project manager training, status, support and career pathways are positive steps towards achieving greater strategic project management maturity within the agency.

Recommendation No.1

2.51 In the context of completing its proposed actions for the improvement of strategic project management in the agency, the ANAO recommends that Centrelink revise the CPMF so that:

- governance arrangements are clear and easily understood;
- the distinctions between compulsory and discretionary elements of the framework are clarified;
- it is endorsed at a strategic level of management and properly promulgated;
- the methodology is simpler and principles-based with links to appropriate supplementary material; and
- IT tools for project management are appropriately integrated and used efficiently.

³⁹ Letter from the Chief Executive Officer of Centrelink to the ANAO, 3 November 2006.

Centrelink response

2.52 Agreed. Centrelink has already commenced development of a range of measures to address these five elements. Centrelink will:

- continue to embed the CPMF within its management processes ensuring clarity and ease of understanding for all levels of governance;
- once the reviewed CPMF is endorsed, ensure that the elements outlining compulsory and discretionary components are communicated;
- consider promulgating a CEI or some other formal policy instruction for the CPMF;
- once the reviewed CPMF is endorsed, ensure that the new principles based approach is communicated and that the appropriate supporting material is available; and
- once the reviewed CPMF is endorsed, ensure that IT scaling tools are also made available. Other tools will also be reviewed and continually developed to ensure relevance, currency and potential inter-operability.

3. Project Definition

This chapter examines adherence to the CPMF requirements for project definition, including planning requirements, based on a review of 30 projects. It also discusses how project definition operates in practice, drawing on case studies of four projects.

CPMF project definition requirements

3.1 Good project definition and planning provide a solid and essential foundation for the achievement of individual project objectives and of broader organisational goals. PMBoK describes three major project documents essential to these tasks:

- a project charter, which authorises a project;
- a project scope statement, which describes the work to be done and the deliverables to be produced; and
- a project management plan, which shows how work will be performed and incorporates subsidiary elements including a work breakdown structure, budget, monitoring arrangements and risk management arrangements.⁴⁰

3.2 Between them these critical documents provide a project with authority, purpose and a blueprint for action. The CPMF provides equivalents to these documents, as shown in Table 3.1, and sets out processes for ensuring they are completed. The ANAO reviewed the generic templates for these documents and found them to be appropriate for their respective purposes, provided that they are then tailored by individual project managers to the requirements of each project. As noted in Chapter 2, the ANAO considers that business cases, or project scope statements that provide a similar level of detail, should be developed for projects funded from Budget measures before detailed planning and implementation takes place.

⁴⁰ PMBoK, op., cit., p. 76

Table 3.1**Key project documentation**

PMBok document	CPMF requirement
Project charter	For Budget funded projects, the project charter is provided by the relevant Cabinet decision and Budget measure. For internally funded projects, the project charter consists of an IMPC decision to approve a project proposal.
Project scope document	For Budget funded projects, the scope is provided by the relevant Cabinet decision and Budget measure. For internally funded projects, a business case approved by the IMPC. For projects with an IT component a business requirements specification approved by IMPC is also required.
Project management plan	For all projects, a project management plan approved by IMPC.

Source: ANAO analysis of PMBoK and CPMF

Projects' adherence to CPMF definition and planning requirements

3.3 It is the role of Centrelink's management to select the appropriate project management approach or approaches to be used in Centrelink. Having developed an approach (as articulated in the CPMF) which is consistent with project management better practice and standards, and by so doing accepting the relevance of these sources, Centrelink needs to ensure that there is adherence to the selected approach. This can help meet the CEO's FMA Act obligations and provide an appropriate basis for accountability, at the same time retaining the flexibility to be responsive to externally imposed requirements.

3.4 As noted in Chapter 1, Centrelink managed 134 projects in 2005–06. The ANAO reviewed a sample of 30 of these projects using the information held in the CPR to assess their adherence to the CPMF process and the CPO's control over projects. The characteristics of the individual projects selected for review were:

- in financial terms, a total project budget of more than \$5 million; or a capital budget of more than \$500 000; or the project produced financial savings;
- a risk profile of High or Medium according to Centrelink's risk rating approach;
- a project life of more than one year; and

- the project was either completed in 2005–06 or still being implemented at the time of the audit.

3.5 The ANAO used the information held in the CPR for this review. This was because the CPR was, at the time of the audit, presented on Centrenet and to project managers as a central data repository, and project managers were instructed to use it. The annual *Advice of Project Allocation* which the CPO provides to all project managers states that the CPR ‘provides detailed information on all funded projects in Centrelink’ and that ‘it is the Project Manager’s responsibility to ensure that details recorded in the Project Register [that is, the CPR] are kept up to date. This information may be viewed by anyone within the organisation’.⁴¹

3.6 The sample included a mix of Budget-funded (24) and internally funded (six) projects. The key results of the ANAO’s assessment of the information held in the CPR for these projects, relating to the CPMF definition and planning requirements, are summarised in Table 3.2.

Table 3.2

Summary of key definition and planning documents held in the Centrelink Projects Register for the projects sampled

CPMF requirement	Record to be retained on CPR	Number that should retain record in the CPR	Number that had a record in the CPR	Percentage that had a record in the CPR
Business Cases and supporting costings should be prepared for internally funded projects.	<ul style="list-style-type: none"> • Business Case and costing 	6	5	83.3%
All projects are required to develop a Project Management Plan (PMP)	<ul style="list-style-type: none"> • Project Management Plan 	30	13	43.3 %
Benefit Realisation Plans to be completed for internally funded projects for which non-financial benefits are identified	<ul style="list-style-type: none"> • Benefits Realisation Plan 	4	1	25.0 %

Source: ANAO analysis of the Centrelink Project Management Framework and the Centrelink Projects Register

3.7 There ought to be, in accordance with the Centrelink Project Management Policy, 100 per cent adherence to the CPMF requirements for the ‘Define’ and ‘Plan’ phases of projects as set out in Table 3.2. The percentage of records held in the CPR at

⁴¹ Centrelink, 2005, *Advice of Project Allocation 2005–06 for the Centrelink Academic Reassessment Transformation project*.

the time of the audit was, as Table 3.2 shows, short of this mark. On further analysis, the ANAO found a reason for this result to be that the CPR was not consistently used by project teams. In other words, a part of the shortfall was due to project managers not adhering to the CPO requirement to keep project records updated in the CPR.

3.8 The ANAO sought further information on the level of non-adherence with the CPMF and, more importantly, on the risks for Centrelink of non-adherence. As noted in Table 3.1 a Business Requirements Specification is required for projects with an IT component. This is in addition to either the relevant Cabinet decision and Budget measure for a Budget-funded project or the IMPC approved Business Case for an internally funded project. Centrelink advised the ANAO that these documents are held on a separate IT Registration tool. The ANAO also reviewed the minutes of the IMPC (and the IMPC's predecessor committee - the Business Improvement Committee) and found that decisions concerning project commencement and funding allocations are minuted, providing a mandate for internal projects.

3.9 Concerns have previously been raised within Centrelink about non-adherence with the CPMF requirements with regard to business cases and project management plans (PMPs).⁴² The ANAO considers the CPMF requirements for business cases (in respect of internally funded projects) and project plans to be in line with better practice. If business cases are not prepared prior to project commencement, the IMPC is not given the opportunity to make a fully informed decision about whether to proceed to project planning and implementation. Nor is the Committee able to assess whether key issues such as managing project interdependencies and establishing project phases have been addressed. Failure to maintain up to date PMPs could restrict the extent to which these issues can be effectively managed and controlled, particularly for financially material, complex projects with a medium or high level of risk. In particular, a baseline for the assessment of project performance cannot be established and performance against the baseline cannot be monitored.

3.10 The PCB provides regular reports to the IMPC on the status of projects, including any non-adherence to the CPMF requirements. The IMPC has endorsed, and the PCB has now implemented, processes to address compliance issues. These were not fully effective at the time of the audit, but the ANAO recognises Centrelink's intention to improve adherence to CPMF requirements.

⁴² For example, in October 2005 the PCB advised the IMPC that 55 projects did not have up to date project management plans.

Projects used for case studies

3.11 The ANAO reviewed four projects⁴³ to gain further insight into Centrelink's actual project management processes and their effectiveness, particularly in the light of the ANAO's finding that there is a level of non-adherence to the CPMF. In this Chapter, and the next on project monitoring and review, the ANAO uses these projects as case studies to illustrate good administrative practice and to identify important areas for improvement related to central/strategic level project management practice. A brief summary of each project follows.

Centrelink Academic Reassessment Transformation (CART)

3.12 Centrelink suggested this project for review. The primary purpose of CART is to minimise or prevent student study-related debt. It also aims to improve the correctness of payments to students and help students remain engaged in full-time or part-time study and/or part-time work. CART is intended to provide electronic links between educational institutions and Centrelink which will permit Centrelink to take information on changes in students' study loads in 'real time' direct from the educational institutions, rather than waiting for students to advise Centrelink separately.

3.13 This project commenced in 2005–06, following evaluation of a proof of concept trial conducted in 2004–05. The project is currently expected to be completed in June 2009. By that time Centrelink estimates that 300 000 students and 80 per cent of educational institutions will be covered by the new arrangements. This is an internally funded project. The total budget for the project over four years is \$3 200 000. The actual reported⁴⁴ expenses for the project in 2005–06 were \$772 685.

Workload Management System

3.14 This project was one part (Part A) of an initiative to introduce a workload and workforce management solution for Centrelink.⁴⁵ The purpose of the project was to provide up to date, easily accessible information on current and future workloads so that the Customer Service Centre (CSC) network could better plan to meet service demands. It commenced in July 2002 following a scoping period in 2001–02. The project closed in June 2005 and was funded internally. The total reported expenses for this project were \$4 224 690.

⁴³ The ANAO requested Centrelink to select a project and the ANAO selected three further projects for review.

⁴⁴ Reported to the IMPC as part of Centrelink's project monitoring and review arrangements.

⁴⁵ Part B was to introduce a workforce management system for the agency's Call Centres.

Customer Account

3.15 Customer Account is part of a series of initiatives to transition Centrelink to a simplified and streamlined way of doing business. Customer Account was aimed at producing a web-enabled system able to provide an overarching customer management function including the ability to stream customers to the part of Centrelink most likely to meet customers' requirements, to move clients between payments and to streamline processes for customers who have repeat business with Centrelink.

3.16 Customer Account commenced as an internally funded project in 2001–02. It received funding from the Budget for the 4 year period 1 July 2002 to 30 June 2006.⁴⁶ The total reported project managed expenses over the four years of Budget funding were \$47 009 147.

Australians Working Together - Transaction Capacity

3.17 Centrelink undertook the AWT Transaction Capacity project to ensure that Centrelink's technical infrastructure had the capacity to support the various AWT initiatives.⁴⁷ The project commenced in July 2001 and was completed at the end of June 2005. In all, 128 separate (sub) projects were approved and executed over the four years of the project at a total reported cost of \$33 351 444.

Project definition case study – AWT Transaction Capacity

3.18 Decisions taken in setting up a project can have a significant impact on its prospects for success. For Centrelink, a significant challenge is to take the often broad requirements and statement of objectives provided through Budget measures and to translate these into statements of deliverables that can be produced within a defined budget and timeframe and to a specified standard. In other words, to re-define them as projects.

3.19 The ANAO found that, in larger projects, work breakdown structures⁴⁸ and other documentation held by the CPO sometimes referred to smaller projects operating within the centrally approved projects. This led the ANAO to consider whether Centrelink projects are scoped in a way that permits proper control and achievement of organisational objectives. Projects need to be defined so that they have

⁴⁶ Customer Account was funded through the Department of Family and Community Services' 2002–03 Budget Measure F.1, Compliance Package: Prevention and Detection.

⁴⁷ More explanation of AWT is provided in Chapter 1.

⁴⁸ A list of the tasks that need to be performed, with a budget and resources assigned to each task.

a start point, an end point, a budget, a schedule of tasks and specified deliverables. If a tranche of work cannot be defined in this way, then it may be that, rather than being managed as a project, it forms part of the continuing work of Centrelink. Alternatively, it may have the character of a programme – a group of projects directed towards achieving a common objective.

3.20 The issue of programme versus project arose in the Australians Working Together Transaction Capacity (AWT-TC) project. Centrelink established an AWT Information and Technology (I&T) programme office, separate to the CPO, to manage all IT aspects of the implementation of the AWT projects. This programme office reported to an AWT steering committee, which endorsed the programme arrangements. From the perspective of the AWT I&T programme office and the AWT steering committee, the AWT-TC project was treated from the outset as a programme of projects and it was managed as such. This approach required adaptation of the CPMF, which is focussed more on the level of individual projects.

The size and complexity of the AWT measures required a different approach to implementation and project management than previously undertaken by Centrelink i.e. an integrated programme management approach rather than a traditional silo based approach.⁴⁹

3.21 An integrated approach was adopted for delivering I&T systems to support the AWT 2001–02 and 2002–03 Budget measures, identifying a number of generic I&T functions to support implementation of these Budget measures, including:

- planning and referrals - functionality to facilitate the development and maintenance of a customer's participation plan and the facility to refer customers to Australian Government and/or community controlled programmes;
- Personal Advisor support - functionality to support the role of the Personal Adviser⁵⁰ such as appointments, community connections and workload management;
- management and performance information - range of specific management information requirements which have a focus on longitudinal outcome reporting; and

⁴⁹ Centrelink, Phase 2 AWT Implementation Programme Plan, unpublished, 2003, p. 40.

⁵⁰ A component of AWT in 2002–03 was the introduction of Personal Advisers within Centrelink. Personal Advisers provided case-by-case assessment and assistance for specific groups identified as disadvantaged in the labour market.

- transaction capacity - the determination, acquisition, installation and deployment of hardware infrastructure to accommodate AWT I&T systems.

3.22 The AWT I&T programme office identified dependencies upon a number of other projects, called 'supporting projects', including the Customer Account and Workload Management projects (which are also included in the ANAO's case study project sample). In relation to IT transaction capacity, this approach allowed flexibility in selecting the actual infrastructure deliverables to support the broader programme objective. The process for selecting individual deliverable 'projects' was as follows:

- During the last quarter of each financial year, the AWT-TC project manager issued a 'call for projects' for the new year, along with the selection criteria for projects, which were:

Criterion 1 – Justification to receive AWT funding

1.1 AWT Initiative	The project meets a functional requirement of an AWT application, or function.
1.2 Transaction Capacity	The project meets a loading (capacity) requirement to support an AWT application, or function.
1.3 Transactional Capability	The project meets a capability (skill) requirement arising out of an AWT application or function.
1.4 Maturity and Confidence	The project mitigates an I&T infrastructure risk that threatens an AWT application, or function.

Criterion 2 Alignment with technical architectural directions

Criterion 3 Addresses audit findings

Criterion 4 Delivers measurable savings

Criterion 5 Alignment with Internal Service Delivery Network initiative

Criterion 6 Relevance to Centrelink's strategic goals

Criterion 7 Project end date

- A selection panel including key Centrelink internal stakeholders then assessed and ranked proposals received. Funding was provided in rank order until the programme's budget had been fully assigned.

3.23 The ANAO considers that it was appropriate for the AWT I&T programme office to adopt the view that the AWT-TC implementation needed to be managed as a programme of projects because, in practice, AWT-TC comprised a group of projects, with the common objective of providing the hardware necessary to support AWT initiatives. The approach to selecting AWT-TC (sub) projects was consistent with this objective and was practical. However, the ANAO's understanding is that Criterion 1 was not mandatory, meaning that it was possible for a project without direct relevance to the aims of AWT to be funded, effectively transferring funds away from the AWT-TC initiative. This possibility was increased due to the approach taken of providing funding until the programme budget had been fully assigned.

3.24 In contrast to the approach of AWT I&T Programme Office, the IMPC's predecessor committee⁵¹ and the CPO, defined the AWT-TC initiative as a single project and, as such, it was subject to all of the requirements of CPMF as they relate to individual projects.

3.25 By operating on the premise that the AWT-TC initiative was a single project, and thus had a definable schedule, scope, financial requirements and deliverables, the CPO could not get a clear view of how the AWT-TC activities worked in practice. As a consequence, the CPO was not in a strong position to advise the IMPC on the status of the initiative, including its contribution to the AWT programme, except in terms of expenditure against the project budget. Also, the CPO was not in a position to ensure that the risk of funding transfer (to non-AWT-TC activities) noted above was successfully mitigated by the AWT-TC risk management arrangements.

3.26 The different approaches to project definition taken by the AWT I&T Programme Office and the CPO also set up a situation where AWT-TC activities were subject to uncertainty about future funding, and potentially veto of funding, creating constraints on the scoping and scheduling of activities. In 2002, the business (senior responsible) owner for AWT-TC commented as follows:

Project funding methodology, which depends on release of funds at the beginning of a financial year which itself does not come through for two-three months, is inappropriate – it causes delays, risks, stress, lost productivity, and lost opportunity repeatedly year after year. The preparation for funding and budget approval should be initiated in advance to ensure that the work can start at the beginning of the financial year.⁵²

3.27 Centrelink has advised the ANAO that:

⁵¹ The Business Improvement Committee.

⁵² Quarterly Report, Period Ending 30 Sept 2002, p. 10.

In the case of AWT-TC, significant internal business planning, scoping and preparation had to be made during this period in order to convert the limited specifications that were available in the measure costed in the Budget process. Overall, Centrelink believes that the release of funds to projects is managed very effectively notwithstanding that there will always be some delays in finalising internal budgets.⁵³

3.28 Once project budgets are entered into Infolink, they are available for expenditure by projects. However, in all of the four case study projects, the ANAO found that the initial allocation of budgets to projects was delayed at different points through internal funding allocation processes and that this led to the kinds of consequences identified in 2002 by the business owner for AWT-TC.

3.29 For the Budget-funded projects, the root cause of such delays appeared to be the significant amount of effort (as indicated by Centrelink in the quotation above in relation to the AWT-TC initiative) that needed to be made to turn a Budget measure into a project, or series of projects. It is important for Centrelink to consider approaches to address this issue. While Budget measures are announced each year in May, there is an interval of time before this when it is known to the agency that implementation will, in all likelihood, proceed and it is in this interval that the PCB could take a lead role in defining projects from the expected Budget measures.

Project phasing: case study – Customer Account

3.30 Dividing a project into phases can improve management control over a project. Importantly, phasing allows a project to be modified or terminated if it becomes clear that it is not going to achieve its objectives. Project phases can be viewed as sub-projects executed in sequence. For example, the planning phase for a major IT development project might itself follow a planning, execution and review process to ensure that there is not inevitability about moving on to project implementation. Phasing can be used for projects funded internally and for Budget-funded projects.

3.31 The CPMF lifecycle, as discussed in Chapter 2, provides a generic approach for the phasing of Centrelink projects. Each project should go through the phases of design, planning, implementation and closure, and there are defined tasks and approval points for each of these phases. This is also discussed in Chapter 2.

3.32 The Customer Account project was funded through the Budget for four years, from 1 July 2002 to 30 June 2006. Prior to being funded through the Budget, it went

⁵³ Letter from the CEO of Centrelink to the ANAO, 3 November 2006.

through an initial scoping phase that commenced in October 2001. The business case for the scoping phase envisaged Customer Account as a key initiative to transition Centrelink to a simplified and streamlined way of doing business.

3.33 The purposes of the scoping phase were to:

- accurately define the scope of the Customer Account;
- develop detailed business requirements for Retirements, Disability, Carer and Parenting Payment Partnered claims;
- provide terms of reference for a study of savings, benefits and preliminary findings; and
- develop a prototype of the functionality for making the business requirements operational.⁵⁴

3.34 The business case for the scoping study stated that the Customer Account project had evolved from an earlier project – the Accessing Centrelink project⁵⁵ – that ceased in October 2001 and had similar aims to the Customer Account. Centrelink considered that the principles underlying the Accessing Centrelink project pre-dated significant initiatives such as rules simplification, business process redesign and the Australians Working Together changes. The evaluation of the Accessing Centrelink project also showed that ‘the Accessing Centrelink functionality was taking too much time to operate, asked irrelevant questions and did not separate simple and complex claims until late in the applications process’.⁵⁶

3.35 Centrelink advised the ANAO that:

Using the lessons learned from Accessing Centrelink, there was considerable effort applied to scope Customer Account. Major considerations included but were not limited to: pre-population of customer data, workflows specific to job roles, workflows based on outcomes from business process analysis, targeting the high volume customer enquiry, and migration of high use scripts.⁵⁷

3.36 The move, represented in the Customer Account and other Centrelink projects, towards using web-enabled applications to support Centrelink officers and enhance customer access was and is critical to Centrelink’s strategic service delivery direction as set by the Government. The ANAO considers that moving from such a

⁵⁴ Business Case for Customer Account, October 2001, paragraph 2.3.

⁵⁵ *ibid.* paragraph 2.1.

⁵⁶ *ibid.*

⁵⁷ Letter from the CEO of Centrelink to the ANAO, 3 November 2006.

broad objective, that is utilising web-based approaches to transform service delivery, to an articulation of project parameters was not easy. The scoping phase for Customer Account was an appropriate approach to managing this complex task, but Centrelink did not complete the exercise as envisaged in the business case as the focus moved in the first half of 2002 to scoping Customer Account as a Budget measure. Centrelink advised the ANAO that:

[The Customer Account] project was scoped in accordance with Federal Budget process. Federal Budget costings are prepared using costs and assumptions based on financial years in the forward estimates. This is a requirement of government. This means that deliverables are 'fitted' into forward years, both on a costing and deliverable basis, according to the best available estimates (within a very short time during the Budget process). Costings are required to be produced on a financial year basis, and once a particular measure is endorsed by government, Centrelink is required to scope and phase according to the estimates in the original measure. During the post Budget planning phase, and as part of the progressive review process of the achievement of the deliverables for a particular Budget measure, deliverables can be and are replanned.⁵⁸

3.37 Customer Account received Budget funding over four years⁵⁹. The Project Management Plan for the Customer Account project shows that implementation was divided into four phases, corresponding with financial years. The probability that deliverables from a major IT applications programme/project like Customer Account can be aligned with financial year phases with realistic review points is low. Major deliverables can take more than a year to complete and so using financial years as phases creates the risk that they cannot be completed within the defined phases.

3.38 In the case of Customer Account, after two years of implementation, the project team reported to the CPO that a number of major deliverables had not been achieved as planned and flagged that major systems problems had been encountered, which limited the functionality and usability of the Customer Account application at that point. The project team reported that these problems also affected other web-based applications and a team had been established to investigate and address these issues.⁶⁰

3.39 In March 2005, an external consultant found that while the project was spending on schedule and was on track to implement key required functionality,

⁵⁸ *ibid.*

⁵⁹ Through the Budget 2002–03, Family and Community Services Portfolio Budget measure F1. Prevention and Detection.

⁶⁰ Customer Account project, end of financial year 2003–04 quarterly monitoring report.

benefits were less than planned due to low take up of the systems. The consultant also found that Customer Account was falling short of an original business requirement for seamless transition between systems, relying at that point on an 'interim' solution of scripts and macros to provide its functionality with a risk that these would become permanent.⁶¹

3.40 In the ANAO's view, an undertaking as complex as the Customer Account project can be expected to face implementation issues like those noted by the project team and the external consultant. If Centrelink had been able to take this complexity into account by adopting phasing for results rather than phasing by financial years, some of the variances in progress noted may have been viewed as issues to be managed rather than realised risks, reducing the pressure on the project to put in place lower quality solutions to stay on target.

3.41 The ANAO noted that the three other projects reviewed in detail in this audit also aligned their deliverables to financial years, although they did not all formally define project phases in terms of financial years. In the case of projects funded through Budget measures, there is an apparent imperative to 'phase' along financial year lines for external accountability reasons, as indicated by Centrelink in the quotation above (see paragraph 3.36). But from an internal project management perspective the use of financial years as phases can create uncertainty and blockages in funding, lead to schedule delays and, potentially, cause projects to take short cuts to meet unrealistic timeframes.

3.42 Project phases should give projects a realistic review point and be based on managing projects for results. Project phasing along these lines was not used in the four projects that the ANAO reviewed in depth. The ANAO suggests that Centrelink consider how it can incorporate both the external accountability and internal project management perspectives when it defines and phases projects.

Project planning: case study - Centrelink Academic Reassessment Transformation

3.43 The CPMF workflows provide for an appropriate, generic, sequencing of project definition and planning activities based on PMBoK, which can be adapted to take into consideration the circumstances of each individual project. But there is a basic process to be followed, culminating in a properly developed Project Management Plan (PMP), before a project is implemented. A business case (for an internally funded project) should be developed as a basis for an informed decision by

⁶¹ Centrelink, Interim assessment of the Customer Account project, March 2005.

the IMPC on whether to proceed with a project and it should provide a basis for development of the PMP. Authorisation for a project (for example, a Cabinet decision for Budget-funded projects or a decision from the IMPC for internal investments) should also be obtained before a project commences. If the proper sequence is not followed then the risk of failing to achieve the desired project outcomes, or of investing in a project that is not worthwhile, is increased.

3.44 CART commenced in 2005–06, following evaluation of a proof of concept trial conducted in 2004–05. The aim of the trial was to test an approach for minimising student debt related to failures by students to advise Centrelink of changes in their study loads. This approach was for two trial educational institutions to develop approaches (in partnership with Centrelink) to transmit electronically to Centrelink details of changes in students' study loads, instead of students having to separately advise Centrelink of their change in circumstances.

3.45 Centrelink developed processes and enhanced its IT systems to facilitate the transfers. The two trial educational institutions were also required to build their own IT solutions to support data transfer to Centrelink. Centrelink obtained the consent of students of these educational institutions to the transfer of their information, although it was envisaged at the start of the trial that, if the approach were to be extended to other institutions, the transfer of information would need to be without students' consent.⁶² In May 2006, the draft evaluation of the trial concluded that it would be feasible for the trial approach to be extended to other educational institutions using a 'non-consent' model, as originally envisaged.⁶³

3.46 In June 2005, the IMPC considered a business case for a project to implement 'academic reassessment transformation' in up to eighty per cent of higher education institutions over four years.⁶⁴ While the business case envisaged a four year project overall, it sought funding only for a first phase of the project, defined as being for the financial year 2005–06. According to the business case, the high level deliverables from Phase 1 of the project included engagement of up to 20 per cent of Universities/Colleges of Technical and Further Education (TAFEs) by June 2006 and an evaluation of Phase 1 to see if the project should proceed. But the business case noted that it would be difficult to cease the project at the end of Phase 1 given the

⁶² Academic Reassessment Transformation – Project Management Plan, p. 14.

⁶³ Academic Reassessment Transformation (ART) – Links with Education Institutions – Business Case (30 May 2005), p. 9.

⁶⁴ Business Case for CART, presented to IMPC on 17 June 2005.

commitment of resources by the educational institutions participating in the initiative in Phase 1.⁶⁵

3.47 While there was no urgent priority from a service delivery or compliance perspective for Centrelink to roll out the new approach with other educational institutions, the IMPC sought to progress quickly on its decision. One factor in moving forward quickly was the need to maintain the project team established for the proof of concept trial, but to do this more funding was required from 1 July 2005. If the project team members had been returned to their normal operational units it may have been difficult to bring them back together as a team.

3.48 On 5 July 2005, the IMPC agreed, in an out-of-session decision, that CART should proceed and to provide funding of \$1 113 105 for Phase 1 of the project on the proviso that an estimated \$638 912 savings for 2005–06 were confirmed by the responsible General Manager/Project Sponsor and that the Project Sponsor confirmed that all IT tasks would be completed within the financial year.

3.49 On 27 July 2005, nearly a month into the new financial year the CPO advised the project manager that the project was allocated \$1 113 105. However, the delay in allocation of funds caused some schedule slippage, with the project manager noting in internal correspondence on 13 July 2006 that the project had lost access to the September IT release.

3.50 A PMP for CART was not completed until 31 August 2005, nearly two months after the project was approved. This plan notes that, while take up may be up to 20 per cent of educational institutions in 2005–06, it is expected to be considerably less. This is a downgrading of expectations from the business case completed only two months prior and impacted adversely on estimated savings. The PMP also notes that a full risk assessment is to be completed later.

3.51 The ANAO considers that a risk assessment and management plan should be an integral part of any PMP. The ANAO notes a significant risk for CART was that educational institutions would not be able to enhance their IT to facilitate the data transfer to Centrelink, either at all or within Centrelink's planned timeframe for take-up of CART. Centrelink is relying on educational institutions to make changes to their own internal IT processes and systems on a voluntary basis, and without funding. The consequences to the project of educational institutions not doing this are clearly serious - the project would founder. In the ANAO's view, this risk should have been

⁶⁵ Implementation of CART relied on cooperation from the educational institutions involved to enter into individual service level agreements with Centrelink which included requirements for IT changes and for educational institutions to manage privacy obligations.

identified, and a plan formulated to manage it, as part of the development of the PMP.

3.52 The project team prepared a draft risk management plan, in early November 2005, following a workshop involving Centrelink stakeholders held in September 2005. The CART draft risk management plan states that the controls to ensure that IT development deadlines in Centrelink were met were considered good, notwithstanding that the late funding of the project had already caused slippages in IT development deadlines (that is the September IT release was missed).

3.53 By not following a sequenced planning process for CART, especially by not including a detailed risk management plan in the PMP, Centrelink entered into a worthwhile project, but in a way that did not initially identify and manage the risks to achieving take-up and therefore savings targets. At the time of the audit, projected 2006–07 savings for CART had been reduced from \$1.8 million to \$0.08 million, with Centrelink advising the ANAO that further savings will be assessed as part of the evaluation of the project. The extent of the implementation of CART for 2006–07 has also been revised downward from rollout to 31 educational institutions (168 000 students) to 24 educational institutions (142 800 students).

Overall conclusion on project definition

3.54 Based on the findings of its review of a selection of projects and other information, the ANAO has been able to draw some conclusions that apply to Centrelink's entire portfolio of projects.

3.55 Overall the ANAO concludes that Centrelink project teams have not consistently been producing the key documentation required under the CPMF. The CPO and the IMPC have been aware of this situation, and acted on it, but the processes that have been put in place to address it, to date, have not been effective.

3.56 For its Budget-funded projects, Centrelink has relatively little influence in defining project scope (except through consultation in the new policy process) and priority. Different Budget measures sponsored by policy departments have converged on Centrelink, creating the risk of overlapping developments and strain on internal resources. New measures each year have meant that Centrelink must continually re-prioritise the allocation of its resources to projects. This situation presents challenges for the agency in looking at the big picture, adopting strategic solutions, identifying interdependencies and defining projects appropriately. The Department of Human Services advised the ANAO that, in its view:

Through its role in raising the profile of service delivery in the policy making process, the Department of Human Services can be expected to lessen the impact of these factors on Centrelink's project activities in future.⁶⁶

3.57 Notwithstanding these difficulties, projects should be defined in such a way that they can be adequately controlled, that is, to ensure that activity can be appropriately planned and resourced to produce the required results within a given time. However, the CPO has tended to define projects based on the source of their funding. So for example, the AWT-TC initiative, which was actually comprised of a group of related projects forming part of a larger programme of projects, was recorded and managed by the CPO as a single project.

3.58 Funding is provided on a financial year basis which introduces an imperative to phase projects by financial years. While the CPO approach makes sense from the perspective of meeting external accountability obligations for funding, it creates a risk that monitoring will be ineffective at portfolio and programme levels within Centrelink, and in particular that the PCB will focus primarily on following up on scheduling and funding issues, rather than getting any clear view of changes in capacity and achievement of benefits.

3.59 Centrelink's internal financial management arrangements provide Centrelink with a means of ensuring that its allocations to projects do not exceed funding sources. They also help Centrelink to meet the requirements of client/policy agencies that want to have transparency around what is happening with 'their' money. These are important considerations, but aspects of the current arrangements lead to difficulties with the proper definition, including phasing, of projects. Within Centrelink, Budget measures tend to be equated with projects notwithstanding that Budget measures do not generally provide enough information on requirements, schedule and deliverables to be defined as a project. Complex projects do not operate neatly on a financial year timetable. If projects are set up and monitored in this way it creates silos of funding, which leads to the risk of projects pursuing their own aims without considering broader organisational priorities.

3.60 Defining projects to take into account external accountability and internal management perspectives does not imply that Centrelink should take two different approaches. Both perspectives should come from a single, soundly based approach to project definition, as is clear from the Cabinet Implementation Unit's guidelines for

⁶⁶ Letter from the Acting Deputy Secretary, DHS, to the ANAO, 24 January 2007.

implementation plans.⁶⁷ These guidelines state that implementation plans for government initiatives should be:

- based on a sound programme logic, presenting a clear line of sight from the original proposal and the government's expectations, to the inputs and how they will contribute to the achievement of those expectations; the outputs to be delivered; why and how those outputs are expected to deliver the outcomes sought, and the assumptions made about those links; and how this delivery chain and its supporting assumptions will be evaluated;
- clear on timeframes and project phases, especially where there are interdependencies with other programmes or measures or critical requirements such as the passage of legislation or negotiations with the States and Territories; and
- clear on the decision pathways forward – often both the objectives and the means to achieving those objectives are uncertain. Implementation plans need to recognise the unknowns as well as the knowns, and explain how and when the unknowns will be addressed.⁶⁸

3.61 It is not uncommon for savings to be harvested up-front from Centrelink projects. Where this occurs, this simultaneously places pressure on Centrelink to manage Budget measures as single projects (to make the tracking of savings simpler) and creates pressures on the network. In particular, the network can come under significant pressure if the savings that have been harvested are not matched by actual savings generated by the projects in the network, such as in terms of reduced resource demands, or if these savings take longer than originally planned to be realised.

3.62 The ANAO considers that the CPO's focus on, and method of, funding projects means that Centrelink is not taking an opportunity to manage projects strategically for outcomes. It is important that Centrelink give consideration to how it can improve its internal funding arrangements, and the definition of projects, to maximise the returns on investment.

⁶⁷ The Cabinet Implementation Unit within the Department of the Prime Minister and Cabinet requires that agencies submit implementation plans for specified government initiatives.

⁶⁸ Department of the Prime Minister and Cabinet, Guide to Preparing Implementation Plans, p.1. Accessed on <www.pmc.gov.au> on 9 November 2006.

Recommendation No.2

3.63 The ANAO recommends that Centrelink review the CPMF and implement control arrangements to ensure that projects are defined and planned in a way that:

- Centrelink selects internal projects that have organisational and service delivery benefits;
- provides a proper baseline for monitoring and informed decisions during a project's life, and for evaluating benefits at its conclusion; and
- interdependencies and priorities are identified and managed.

Centrelink response

3.64 Agreed.

4. Project Monitoring and Review

This chapter discusses adherence to the CPMF requirements for project monitoring and review, the approach to monitoring and review taken by the CPO and the IMPC, and the adequacy of Centrelink initiatives to improve monitoring and review arrangements.

Introduction

4.1 The CPMF includes a number of monitoring and review tasks for projects and makes provision in the CPR for their documentation. The ANAO reviewed a sample of 30 Centrelink projects⁶⁹ using the information held in the CPR to assess their compliance with the CPMF process and the CPO's control over key documents. The ANAO also reviewed other monitoring and review information held by the CPO. Key findings and conclusions from this review are presented in this chapter. In addition, the ANAO considered the CPO's and IMPC's processes for monitoring and reviewing project progress through its in-depth review of four projects.

Monitoring and review by the CPO and the IMPC

4.2 Prior to 2005–06, projects were required to submit quarterly monitoring reports and these were fully completed for all three of the four projects reviewed in depth by the ANAO that were current prior to 2005–06. CART commenced in 2005–06 and was not subject to this requirement.

4.3 The ANAO found a number of issues were regularly mentioned in individual project monitoring documents and reviews provided to the CPO. In an internal review conducted in 2004, the Customer Account project team found that conflicting business pressures meant that the project had to re-direct its resources away from the original deliverables. The team reported that this resulted from continual re-assessment of the project, decision making processes that were not sufficiently refined and failure to identify resources required to meet the new objectives. The project team also noted in the internal review report that:

IT constraints which include the technical capability, the time and resources taken to deliver results, have proven costly in relation to the development of the Customer Account. There is no easy solution to this problem as it is an inherent part of the way

⁶⁹ The sample was the same as that used to examine project set up. See Chapter 3 for a description of the sample selection criteria.

Centrelink manages its systems releases. Until system changes are managed more effectively projects such as Customer Account will be negatively impacted.⁷⁰

4.4 The AWT-TC project seemed to be subject to similar pressures and issues. In a review of progress in 2001–02, the AWT I&T Program Office identified a number of issues.

- there was difficulty in confirming the scope of Transaction Capacity initiatives to support AWT for the first year. Application teams did not know how to identify and describe capacity requirements;
- Business Requirements Statements normally define work from a business perspective. This still needs to be analysed to create technical infrastructure requirements. Applications teams not equipped to do this, particularly in new technologies;
- staffing required to undertake work was not always supplied by teams as expected and as required by estimates. A clearer approach to linking estimates to resourcing is needed; and
- inadequate tools in use, and a lack of training on the tools that are available, prevents effective collaborative management of projects. Additional customised tools were prepared to support project management.⁷¹

4.5 As the project progressed it reported delays in budget approval and allocation of funds, delays in procurement processes for capital and professional services, insufficient labour resources and conflicting development priorities with non-AWT projects. Funding arrangements were a significant issue, according to the business owner.⁷² The business owner also identified competing priorities as an issue, noting that:

Often, projects are put on hold to address other priorities. New projects do not take into consideration the existing workload already assigned to delivery teams. This causes a lot of confusion and disruption among the team members. Resources are being swapped between projects.⁷³

4.6 The project team also noted the difficulties in managing a large, complex development exercise like a project, when in fact it is more like a programme (that is, a group of related projects). A level of concern with managing a ‘virtual’ project was evident, with the team reporting it was not possible to control resourcing at the

⁷⁰ Customer Account Status Report, 3 February 2005, p. 11.

⁷¹ Australians Working Together I&T Programme Office, Program Review, 26 November 2002.

⁷² Quarterly Report, Period Ending 30 Sept 2002, p. 10.

⁷³ *ibid.*

sub-project level using the standard tools and work breakdown approach included in the CPMF. The project team considered that:

We are consistently over-optimistic when estimating activity durations and we rarely apply a schedule contingency to allow for uncertainty. This practice leads to the development of over-optimistic schedules. The problem is largely the result of unrealistic expectations regarding the availability of resources, unrealistic expectations of productive time and a lack of 'actuals' feedback from corporate systems.⁷⁴

4.7 The kinds of issues noted by the AWT-TC project team are more generally applicable to Centrelink projects. The business owner acknowledged this specifically with regard to the issue of specifying requirements.

The determination of business requirements is a common problem for all project managers (not only those working on AWT Transaction Capacity). The problem is compounded as corporate knowledge tends to be focussed, with limited people having a broad end-to-end comprehension of process and data flows.⁷⁵

4.8 The ANAO considers that Centrelink's monitoring and review arrangements are working to a certain extent, in the sense that information is provided to the CPO about major issues affecting projects. The monitoring and control arrangements in place over the four case study projects provided information on project scope, schedule, planning, risks, quality, stakeholder management and finances, as well as on broader issues. However, this monitoring information was not then analysed and presented to the IMPC in a strategic way, that is, in a way that the IMPC could identify and address the systemic issues affecting Centrelink's portfolio of projects.

4.9 Centrelink faces constraints in terms of the Government requirements it is expected to deliver on and also constraints in human resource capability to deliver on the IT components of projects.⁷⁶ But accountability for the proper management of Commonwealth resources requires that Centrelink management take all possible steps to manage effectively within these constraints. As indicated in Chapter 3, if projects are not appropriately defined, then there is a risk monitoring and review will be ineffective. The ANAO's four case studies indicate that this risk has been realised and that the IMPC's monitoring and review has in the past been largely ineffective, because it had not been receiving sufficiently clear briefing, either to enable the committee to identify the broader issues affecting the agency's portfolio of projects or to support individual projects.

⁷⁴ Quarterly report, Period Ending 31 December 2003, Section 3 (Additional Comments). Statement repeated in subsequent quarterly reports.

⁷⁵ AWT-TC 2003–04 End of Financial Year Project Progress Report, Section 3.1.

⁷⁶ As discussed in the paragraphs above and as evidenced by the monitoring reports on the four case study projects.

4.10 Centrelink was aware of this weakness in its project management approach and, at the time of the audit, the ANAO found that Centrelink was implementing a number of significant initiatives to improve the level of strategic project management. These are discussed further in the section commencing at paragraph 4.21 and in Chapter 5 of this report.

Monitoring and review issues

4.11 The ANAO's analysis of the degree to which a sample of 30 projects (including the four case study projects discussed in the previous section) had adhered to the requirements of the CPMF also identified monitoring and review issues related to risk management, scheduling and project closure and post implementation review. These issues are discussed in the following three sections.

Risk Management

4.12 Risks arise in all projects and they need to be monitored and managed. The CPR makes provision for inclusion of information on how risks are managed throughout project implementation. The ANAO found that few of the 30 projects in the sample identify risks in the CPR. However from other project documentation, including PMPs, the ANAO found that risks and issues were considered in each project.⁷⁷

4.13 Each year, project managers have been required to complete a simple, one page, risk matrix which then decides the risk rating for the project for IMPC monitoring purposes. Projects can be rated as low, medium or high risk using this matrix. The matrix lists a number of risk factors that apply to all projects, and provides a standard rating scale for each factor and a standard weighting approach. Using this approach, 29 out of the 30 projects sampled were rated as medium or high risk, with the majority of those rated as medium risk.

4.14 This led ANAO to consider whether the matrix provides for an appropriate classification of projects by risk level. The ANAO concluded that there were a number of issues which require attention if this process is to deliver useful information to the IMPC to inform its monitoring and review of projects from a risk perspective. These issues are :

- the standard weighting of risk factors may not reflect accurately the relative importance of factors in the case of each individual project;

⁷⁷ The focus of this audit was on Centrelink's central, strategic level project management arrangements. Accordingly, it was not part of the scope of this audit for the ANAO to make an assessment of the effectiveness of risk management for each of the 30 projects included in the ANAO's sample.

- there is room for subjectivity, for example in deciding whether a measure has a substantial or lesser impact on customers; and
- the risk management practices of projects are not taken into account. It is possible for two projects to be scored the same using the matrix, but for one to have effective internal risk management practices and the other ineffective practices. Both will be ranked the same using the matrix.

Scheduling

4.15 In the Implement Phase, the CPMF requires that projects are to be managed to ensure that they operate according to schedule and budget and produce outputs of the requisite kind, quantity and quality. Schedule management using the Primavera scheduling tool is an integral part of this activity. The PCB has conducted an internal assessment of scheduling maturity, using an approach that it has developed. This assessment distinguished between the IT Refresh programme and other Centrelink programmes, as IT Refresh is considered within Centrelink as a leader in scheduling practice.

4.16 The rating scale Centrelink used for its assessment was:

Level 0 – Incomplete: general absence of best practice

Level 1 – Performed: general absence of best practice

Level 2 – Managed: Inconsistent use of best practice

Level 3 – Defined: Consistent use of best practice

Level 4 – Quantitatively managed: recognised practitioner of best practice

Level 5 – Optimising: externally/internally recognised leader in scheduling practice.⁷⁸

4.17 IT Refresh and the other Centrelink programmes were rated by the PCB at Level 2 with respect to scheduling standards and individual/group competencies, meaning there is a group of well defined scheduling standards with variation in the way they are employed in projects and consistent scheduling logic and scheduling competency frameworks.

4.18 IT Refresh was rated at Level 3 for support tools meaning that the corporate tool Primavera is available for use and used consistently across projects in the programme, with consistent and measurable outcomes. Other programmes were

⁷⁸ Scheduling maturity template provided by Centrelink to the ANAO, May 2005.

rated at Level 2 for support tools, indicating that, while Primavera is available, there is only gradual uptake of it.

4.19 Accordingly, Centrelink has identified that there are opportunities for improved scheduling practices, particularly in respect of non-IT Refresh projects, and is proceeding to address these.

Project closure and post implementation review

In the Close Phase, the CPMF requires that projects produce closure reports which provide final information on project deliverables, budget and activities to close the project. Only five of the 11 closed projects in the sample of 30 reviewed held closure reports in the CPR. An important element of the Review Phase is the Post Implementation Review (PIR) of the project. For projects of the materiality and impact of those in the sample, PIRs should be considered essential. Only one of the 11 closed projects had completed a review according to the CPR. The ANAO's finding that PIRs and closure reports are not completed in all cases is consistent with Centrelink's understanding of the situation.⁷⁹

4.20 The ANAO considers that there is room for improvement in the way in which projects are evaluated at their completion. ANAO found only a small number of projects were evaluated by external reviewers and that some were not reviewed at all. As a result Centrelink is not fully taking an opportunity for organisational learning (through the identification of 'lessons learned') and project control.

Monitoring and review improvement initiatives

Programme level monitoring

4.21 The importance of taking a higher level perspective and addressing systemic issues when monitoring projects has been recognised by the IMPC. For the 2005–06 financial year, the IMPC adopted programme level reporting instead of considering reports for individual projects as in previous years. These reports are prepared by programme sponsors, usually Centrelink General Managers.

4.22 The ANAO considers that the programme level of reporting provides the IMPC with a useful perspective on issues affecting projects and the project portfolio more generally. For example, in the first report on a programme basis, for July to

⁷⁹ For example, as reported by the CPO to the IMPC in October 2005.

September 2005⁸⁰, the CPO advised that it considered there was some cause of concern for the portfolio as a whole. Reasons for this included that:

- some projects had yet to be allocated funds for the financial year;
- project plans and schedules had not been submitted in many cases;
- effort recording was not taking place consistently across the portfolio; and
- the portfolio financial projection was not yet complete as some projects had not provided expenditure plans.

4.23 Time schedules for some critical projects were of concern to the CPO and the CPO expected that ‘major issues will undoubtedly arise’.⁸¹ In February 2006, some lack of planning was still evident, with programmes not entering their planning information into the Primavera scheduling tool sufficiently well for reports derived from Primavera to be used to provide assurance to the IMPC. As this issue was brought to IMPC’s attention by the CPO, action could be taken and as a result the issue was largely corrected by April 2006.

4.24 In May 2006, several programmes were reporting issues with I&T development capacity, slipping deliverables and underspent budgets in a way that made it possible for the IMPC to take action to address the situation. While the problems still existed, the IMPC moved in 2005–06 to a position where the committee could more readily identify them, an important step forward. Centrelink has advised the ANAO that the IMPC has, ‘as part of its terms of reference and annual review cycle, considered the systemic issues, underlying causes, and required actions to better management programs and projects in 2006–07’.⁸² The ANAO supports Centrelink’s planned further modification of the portfolio/programme level of reporting on the basis of its experience with this approach in 2005–06.

Benefits assessment

4.25 In the project management context, benefits management is about identifying, tracking and then evaluating the positive results of a project. Effective benefits management underpins a strong strategic project management approach. The successful implementation of benefits management in Centrelink would also focus the agency’s monitoring and review activities on those things that are critical, not only to

⁸⁰ CPO Report to the Investment and Major Projects Committee meeting of October 6, 2005.

⁸¹ *ibid.*

⁸² Letter from the CEO of Centrelink to the ANAO, 3 November 2006.

the success of individual projects, but more broadly to the agency's portfolio of projects.

4.26 Centrelink has been developing its approach to benefits management since 2002, and a benefits management approach was adopted in the IT Refresh Programme in October 2004. Benefits can be financial or non-financial, quantifiable or qualitative. The identification of the expected benefits at the project definition stage is essential to ensuring that a project will contribute to the strategic aims of the organisation and is a worthwhile investment.

4.27 The business case for a project should include information on benefits and how their achievement will be measured. The essential element of benefits realisation is a plan which identifies expected benefits and how they will be measured, tracked, reported and governed. Achievements must then be monitored and reviewed at the end of a project. In its response to the ANAO's 2005 audit of the Edge Project, Centrelink indicated that all business cases coming forward for decision must include a number of metrics which provide a basis for progressively measuring project outcomes and successes.⁸³

4.28 In October 2005, the IMPC endorsed a benefits management policy for projects. But this policy is not yet generally applied. In April 2006 the CPO reported to the IMPC that only 12 per cent of projects were managing and reporting benefits.

4.29 Notwithstanding that this policy is yet to be generally applied to Centrelink projects, the ANAO notes that the process of benefits realisation planning, monitoring and reporting that Centrelink is implementing has been positive for one of the ANAO's four case study projects, Customer Account. Customer Account was one of the first projects to develop a formal benefits realisation plan, track benefits and report on them. The benefits realisation report for Customer Account stated that 'Customer Account was one of the first initiatives to implement benefits management and the only initiative in Centrelink that has continued to track and measure benefits from start-up to closure'.⁸⁴ The report found that:

Despite the significant changes to legislative, political, organisational and technical environments that occurred over the life of the Customer Account program, Centrelink has met the commitments detailed in the Cabinet submission.

The program harvested \$26 607 000 in benefits upfront, resulting in a reduction of 124.9 Network staff by 2005–06. The program has achieved 101% of the process benefit targets, which were based on reduced processing times identified in the

⁸³ ANAO, *The Edge Project*, Audit No 40 of 2004–05, paragraph 2.31.

⁸⁴ Centrelink, *Customer Account Benefits Realisation Report* July 2006, p. 6.

original costing of the Customer Account measure in the Government Budget process. The non-financial benefits for Customers and Clients were achieved (but are not quantifiable) and whilst no formal surveys of Network staff have been conducted to date, anecdotal evidence exists to suggest that there is an overall satisfaction with Customer Account.⁸⁵

4.30 The process of benefits realisation planning, monitoring and reporting for Customer Account has allowed Centrelink to assess more objectively the outcomes of the Customer Account initiative, and learn lessons for the future development of online service capability and the management of benefits for other projects.

Project directors

4.31 In late 2005, to improve monitoring and support for projects, Centrelink engaged six contractors to act as project directors, implementing more broadly a practice already used in the governance of the IT Refresh programme. According to a review conducted by the National Manager, PCB in May 2006⁸⁶, these positions 'have provided invaluable expertise to Division Heads who have responsibility for multiple, diverse projects and limited project management expertise within their Divisions' and provided greater insight into project progress for the PCB'.

Gateway reviews

4.32 In its response to the ANAO's performance audit of the Edge Project Centrelink also stated that it had put in place a range of measures to improve the governance, conduct and outcomes of major and minor projects including Gateway⁸⁷ reviews for medium and high risk projects.⁸⁸

4.33 The Gateway Process is an initiative of the UK Office of Government Commerce (OGC) and it provides for examination of programmes and projects at critical stages in their lifecycle to provide assurance that they can progress successfully to the next stage. OGC applies the Gateway Process to acquisition programmes and procurement projects in UK civil central government.⁸⁹ From the 2005–06 Budget cycle, the Department of Finance and Administration (Finance) began to apply a modified Gateway review process to FMA Act agencies, where:

⁸⁵ *ibid.*, p. 3.

⁸⁶ Report of the National Manager, PCB to the Chief Executive, May 2006, p. 2.

⁸⁷ OGC Gateway is a trademark of the Office of Government Commerce.

⁸⁸ ANAO, *The Edge Project*, Audit No 40 of 2004–05, paragraph 4.66.

⁸⁹ Office of Government Commerce, *The OGC Gateway Process, Gateway to success*, OGC, London, 2004.

- the risk of a project warrants its inclusion in the review process; and
- the project is either an information technology project valued at \$10 million and over or a procurement or infrastructure project valued at \$20 million and over.⁹⁰

4.34 According to the OGC⁹¹:

The OGC Gateway Process provides assurance and support for Senior Responsible Owners in discharging their responsibilities to achieve their business aims by ensuring that:

- the best available skills and experience are deployed on the programme or project;
- all the stakeholders covered by the programme/project fully understand the programme/project status and the issues involved;
- there is assurance that the programme/project can progress to the next stage of development or implementation;
- achievement of more realistic time and cost targets for programmes and projects; and
- provision of advice and guidance to programme and project teams by fellow practitioners.

4.35 The Gateway reviews conducted by OGC include⁹²:

- OGC Gateway Review 0 – a strategic assessment of a programme conducted at the definition, execution and close stages of a programme lifecycle;
- OGC Gateway Review 1 – a review of the business justification for a project, conducted when a business case is developed but before a project commences;
- OGC Gateway Review 2 – a review of a project's procurement strategy, undertaken before a procurement process takes place;
- OGC Gateway Review 3 – a review of the investment decision made following a competitive procurement process;
- OGC Gateway Review 4 – a review of the project deliverable's readiness for service carried out prior to roll out; and
- OGC Gateway Review 5 – a review of benefits realised from the project.

⁹⁰ <www.finance.gov.au/gateway/index.html>

⁹¹ OGC, op., cit.

⁹² *ibid.*

4.36 Centrelink's commitment to internally commissioned Gateway reviews is in addition to its obligation to participate in Gateway reviews conducted by Finance.⁹³ In view of the findings in this audit concerning the lack of review and decision points in major projects, the ANAO supports Centrelink's intention to introduce Gateway reviews as a means of improving control and project outcomes. At the time of the ANAO's audit, Centrelink had introduced these reviews for IT Refresh programme projects and had also committed funding for 12 Gateway reviews of non-IT Refresh projects. Reviewers engaged by Centrelink had completed two Gateway reviews for non-IT Reform programme projects.

4.37 The findings of the non-IT Refresh project Gateway reviews conducted so far corroborate the existence of the kinds of systemic issues affecting the agency's projects discussed in this Chapter and the previous Chapter. Importantly, however, the reviews have provided for the projects involved the kind of decision point and positive direction for change that has been lacking in Centrelink at the strategic level of project management in the past.

4.38 The first internal Gateway review for a non-IT Refresh project was completed in May 2006. This was a 'milestone'⁹⁴ review of the Data Network Redesign Project, a project for the development of a 'high availability telecommunications data network capable of meeting Centrelink's current projected telecommunications requirements'.⁹⁵ This network infrastructure is 'critical to the delivery of Centrelink's ongoing and new business'.⁹⁶ The initiative supports both the IT Refresh and Welfare to Work programmes.

4.39 The review found that the project needed to take remedial action immediately to achieve its deliverables but that, if it did so, it was well positioned to deliver a sound data network for Centrelink. It found that the project was behind schedule as a result of 'optimistic schedules, difficulty of obtaining skilled resources and competing

⁹³ The reviews Centrelink commissions external reviewers to undertake are an adaptation of the OGC Gateway process. Differences from the OGC Gateway process include:

- The nomenclature for reviews, Centrelink refers for example to 'milestone' reviews;
- Centrelink does not necessarily go through a sequential process of reviews; and
- Centrelink applies Gateway reviews to non-procurement projects.

⁹⁴ This is an adaptation of the Gateway review process. In Centrelink the milestone review is conducted during project implementation and is aimed at determining how well a project is progressing against its project management plan.

⁹⁵ Data Network Redesign Project Gateway Review Report, May 2006, p. 3.

⁹⁶ *ibid*, p. 7.

priorities'.⁹⁷ The review considered that it would be a major risk to acquire resources within the project's timeframe and that they needed to be acquired immediately.

4.40 A second Gateway review, also a milestone review, was completed on the Personalised Communications Project in June 2006. This project 'is to improve the way in which Centrelink communicates with its customers and to reduce the cost of letter production'.⁹⁸ The review again recommended that remedial action be taken in view of slippages in 2005–06 deliverables and given that the project had not delivered on the business case on which IMPC funding was allocated.

4.41 These internally commissioned Gateway reviews have provided useful insights about the relevant projects and broader project management issues in Centrelink. In addition, the Gateway process imposes a discipline on project management in the sense that, to participate in the process, projects must be properly defined, establish performance baselines and key project documentation and produce robust actual performance information. Any deficiencies in these respects will be made known in the review report. So the Gateway process can be a useful enabler for Centrelink to achieve a higher level of strategic project management maturity.

4.42 At the time of the audit, Centrelink was still working to achieve its goal to introduce internally commissioned (internal) Gateway reviews for all medium and high risk projects. Those two non-IT Refresh projects to which the Gateway process has been applied have thus far have been subject to a single, milestone review, rather than the whole Gateway process and there have only been two of them.

4.43 Centrelink's own commitment to undertake internal Gateway reviews for all medium and high risk projects is a significant one given Centrelink's current approach to defining projects, which means that the majority of projects are classified as medium or high risk for monitoring purposes. The ANAO considers that there would be benefit in Centrelink reviewing its approach to the application of internally commissioned Gateway reviews. An alternative approach could be to designate projects, perhaps a large proportion of the agency's portfolio of projects, that need to be 'Gateway ready' in the sense of having the necessary documentation, processes, performance baselines and performance measurement in place to support application of the Gateway process. In this way, Centrelink can achieve some of the disciplinary benefits of the Gateway process and progress to a higher level of strategic project management maturity without necessarily subjecting every project to review.

⁹⁷ *ibid.*

⁹⁸ Personalised Communications Project Gateway Review Report, June 2006, p. 3.

4.44 From this group of projects some could then be selected, using an appropriate risk assessment approach, to be subject to internal Gateway review. For example, it may be appropriate for Centrelink to use the OGC Risk Potential Assessment approach⁹⁹ for determining whether a project should be reviewed. The ANAO also considers that there would be benefit in Centrelink considering the application of the Gateway review process at programme level, beyond IT Refresh, to gain the full benefits available from applying this process.

4.45 Centrelink should also consider how Gateway reviews should be factored into the Centrelink Project Management Policy and Framework. The policy, workflows and procedures available on Centrenet at the time of the ANAO's review did not include reference to Gateway Reviews. The ANAO considers it essential that the CPMF provide policy and procedural documentation that addresses the use of Gateway reviews.

⁹⁹ OGC, *ibid.*

5. Strategic Project Management Maturity

This chapter discusses recent Centrelink initiatives to improve the maturity of its portfolio, programme and project management processes; the overall maturity of Centrelink's strategic project management approach; and broad directions the agency could pursue for improvement.

Recent initiatives to improve the maturity of Centrelink's portfolio, programme and project management processes

5.1 The findings in the previous chapters of this report show that Centrelink has the opportunity to improve its strategic project management approach. At the time of the audit Centrelink had recognised this opportunity and had taken steps towards doing this.

5.2 The Project Coordination Branch was established in May 2005 as part of a more general restructure of Centrelink and it started or continued a number of initiatives aimed to further improve its strategic project management performance. These included (by October 2005):

- provision of reports to the IMPC at a programme of projects level rather than just at an individual project level;
- restructuring the PCB to include specific investment (portfolio level) and benefits (programme/project level) management functions;
- introduction of portfolio management, including piloting a value assessment model;
- development and introduction of a benefits management policy for projects;
- introduction of the Teamlink system, which links Infolink and Primavera so that financial and schedule information may be shared between those two systems;
- undertaking:
 - a review of the CPMF¹⁰⁰ and the PCB's and Centrelink's project management capability;
 - a review of arrangements for project manager training and support; and

¹⁰⁰ At the time of the audit a revised draft of the CPMF had been prepared and a new Intranet site for it was being piloted.

- a preliminary review of Centrelink’s project management maturity using the Organisational Project Management 3 (OPM3) model.

5.3 The PCB has recently reviewed the CPMF and released a new intranet site that has been designed taking into consideration some of the issues raised by the ANAO in this audit. At the time of the audit the PCB was also revising the CPMF methodology manual.

5.4 In May 2006, when the ANAO was conducting fieldwork for this audit, the National Manager of PCB undertook a separate, informal review of PCB and Centrelink’s project management capability. The overall conclusion from this report was:

While many of these comments [in the report] appear to indicate problems within the Branch in terms of focus and performance, there are many areas where the Branch performs quite admirably. The nature of this exercise was necessarily focussed on the negative, but in reality many of the problems are either structural in nature or outside the control of the Project Coordination Branch.

Project Coordination is a difficult area where the natural tendency is to over-engineer and thereby complicate what should essentially be a high level, value added process. With some modest investment, restructuring and redirection of effort and tools, there is every likelihood of a much enhanced and more valuable outcome for the organisation.¹⁰¹

5.5 The findings of this review align very closely with the ANAO’s findings from its independent and in-depth testing of Centrelink’s project management approach. The report is consistent with the ANAO’s conclusion that the PCB and the CPO have focussed in the past on policing individual projects rather than on providing strategic level support for the IMPC, senior responsible owners and project managers. The conclusion of the review notes though that even with this improvement that there will still be structural issues and issues outside the control of the PCB.

5.6 At the time of the audit, Centrelink was actively managing these issues. The agency’s efforts in this regard are always likely to be constrained to some, perhaps ultimately a large, degree by the externally driven demands that Centrelink faces. But the FMA Act imposes an obligation to manage Commonwealth resources properly and Centrelink needs to proactively manage and be accountable for the results of projects. Centrelink is continuing its improvement efforts through a six point plan to address the issues and improve the standard of strategic project management. In

¹⁰¹ Report of the National Manager, PCB to the Chief Executive, May 2006, p. 6.

November 2006, in response to the ANAO's issues papers for this audit, the CEO of Centrelink advised:

Centrelink has been working for a number of years to create, establish and improve its project and programme management capabilities. The Centrelink Project Management Framework (CPMF) is seen as a best practice and aspirational model to progress these capabilities. Since the conclusion of fieldwork, the Project Coordination Branch (PCB), whose activities and outputs are the focus of the audit, has been restructured, a new senior manager with a strong background in successful program management appointed, and a review of key documentation, project management practices and control mechanisms is underway.

The preliminary findings of the ANAO audit are consistent with issues Centrelink has identified through a process of critical self-review. In fact, the report notes that Centrelink has already "developed a six point plan to address the issues" raised in the report, and "improve the standard of strategic project management". The.....Six Steps, were endorsed by the Investment and Major Programmes Committee (IMPC) in July 2006 and align with ANAO recommendations. The target outcomes include:

- simple independently verified reports which lead to direct IMPC intervention when required;
- Steering Committees provide consistent oversight and management of projects and subprogrammes, are recognised as well managed, and support IMPC in its strategic management of Centrelink's portfolio of work;
- Project Managers comply with the CPMF and use the processes to effectively control and consistently manage Centrelink's projects;
- Centrelink has a project management capability that has a maturity rating of 4 and is a recognised professional career for staff;
- Centrelink has an integrated portfolio of projects which are assessed, prioritised and reviewed annually, and which contribute to strategic achievement of goals and outcomes; and
- Centrelink has a mature investment management capability that provides value and return on investment.¹⁰²

5.7 Centrelink also advised the ANAO that it has added seven specific action items to the overarching Six Step process as a result of the audit. Centrelink advised these specific actions are:

1. Benefits Management

¹⁰² Letter from the CEO of Centrelink to the ANAO, November 3 2006.

- Review to ensure that metrics for measuring outcomes and successes are included in Business Cases.
 - Review to improve relevancy in line with revised CPMF.
2. Promulgate CPMF and new templates via CEIs or other means.
3. CPR
- Ensure current review explores use and purpose of CPR, cost to update, fix and maintain and any alternate solutions.
4. Impact Assessments
- Architecture and IT Front Door sign off minimal requirements
 - Included as part of CPMF
5. Risk
- Review management of risk and integration of Assurance Framework in CPMF.
6. Control
- Use Complexity Model and GRAM as a means of determining need for Gateway Review.
 - Explore concept of “Gateway Ready” state for all projects.
7. Maturity Modelling
- Schedule P3M3 review of organisational maturity in 12 months.¹⁰³

5.8 The ANAO supports Centrelink’s initiatives to improve the maturity of its portfolio, programme and project management processes.

Internal maturity assessments

5.9 The ANAO considers that the application of project management maturity models can provide a useful understanding for an organisation of its position on a scale of project management maturity and assist it to identify directions for improvement. Importantly, it can be used as a basis for benchmarking an agency’s position relative to other agencies and to share experiences and opportunities for improvement.

5.10 The PCB has conducted the initial assessment component of the OPM3 maturity model methodology.¹⁰⁴ OPM3 describes project management maturity

¹⁰³ *ibid.*

¹⁰⁴ Centrelink, Project Management Maturity Assessment using OPM3, June 2006.

through reference to best practices and capabilities. In the OPM3 context, best practices are the optimal way currently recognised by the project management industry to achieve aims. A capability is a specific competency that must exist for an organisation to carry out project management processes and deliver results.

5.11 The OPM3 capabilities and best practices are mapped to the domains of portfolio, programme and project and to each of the five PMBoK project management process groups (initiating, planning, executing, controlling and closing). Ratings are then given to indicate the level of process management improvement attained by an organisation. In ascending order of improvement the process management stages are:

- 1) Standardise
- 2) Measure
- 3) Control
- 4) Continuously Improve.

5.12 The initial assessment undertaken by the PCB was a limited exercise based on self-assessment surveys completed by internal stakeholders. The results indicated that Centrelink demonstrates 225 out of the 586 OPM3 best practices. This places Centrelink in an overall position of 34 per cent on a continuum of organisational project management maturity, with project level maturity rated at 50 per cent, programme level at 39 per cent, and portfolio level at 18 per cent. From the process management perspective, Centrelink has 49 per cent of best practices in the Standardise stage, 22 per cent in the Measure stage, 36 per cent in the Control stage and 21 per cent in the Continuously Improve stage. These results are consistent with the ANAO's findings that Centrelink has concentrated on the management of individual projects in the past.

ANAO assessment of project management maturity

5.13 As well as the OPM3 approach, there is another useful maturity model that was released in February 2006 by the UK Office of Government Commerce. This is the Portfolio, Programme and Project Management Maturity Model (P3M3). P3M3 provides a descriptive reference model that organisations can use as guidance for improving their project-related processes. It also provides a basis for organisations to develop tools to assess their current level of maturity.¹⁰⁵ The ANAO used P3M3 to

¹⁰⁵ Office of Government Commerce, Portfolio, Programme and Project Management Maturity Model, Office of Government Commerce, 2006, p.3.

make an independent assessment of Centrelink's project management maturity. Table 5.1 presents an overview of the levels of maturity in this model.

Table 5.1

P3M3 maturity model

Maturity	Project	Programme	Portfolio
Level 1 – initial process	Does the organisation recognise projects and run them differently from its ongoing business? (Projects may be run informally with no standard process or tracking system.)	Does the organisation recognise programmes and run them differently to projects? (Programmes may be run informally with no standard process or tracking system.)	Does the organisation's Board recognise programmes and projects and run an informal list of its investments in programmes and projects? (There may be no formal tracking and reporting process.)
Level 2 – repeatable process	Does the organisation ensure that each project is run with its own processes and procedures to a minimum specified standard? (There may be limited consistency and co-ordination between projects)	Does the organisation ensure that each programme is run with its own processes and procedures to a minimum specified standard? (There may be limited consistency or co-ordination between programmes)	Does the organisation ensure that each programme and/or project in its portfolio is run with its own processes and procedures to a minimum specified standard? (There may be limited consistency or co-ordination)
Level 3 – defined process	Does the organisation have its own centrally controlled project processes, and can individual projects flex within these processes to suit a particular project?	Does the organisation have its own centrally controlled programme processes and can individual programmes flex within these processes to suit the particular programme?	Does the organisation have its own centrally controlled programme and project processes and can individual programmes and projects flex within these processes to suit particular programmes and/or projects. And does the organisation have its own portfolio management process?
Level 4 – managed process	Does the organisation obtain and retain specific measurements on its project management performance and run a quality management organisation to better predict future performance?	Does the organisation obtain and retain specific measurements on its programme management and run a quality management organisation to better predict future programme outcomes?	Does the organisation obtain and retain specific management metrics on its whole portfolio of programmes and projects as a means of predicting future performance? Does the organisation assess its capacity to manage programmes and projects and prioritise them accordingly?

Maturity	Project	Programme	Portfolio
Level 5 – optimised process	Does the organisation run continuous improvement with proactive problem and technology management for projects in order to improve its ability to depict performance over time and optimise processes?	Does the organisation run continuous process improvement with proactive problem and technology management for programmes in order to improve its ability to depict performance over time and optimise processes?	Does the organisation run continuous improvement with proactive problem and technology management for the portfolio in order to improve its ability to depict performance over time and optimise processes?

Source: Office of Government Commerce, Portfolio, Programme and Project Management Maturity Model, Office of Government Commerce, 2006, pages 7-8.

5.14 The ANAO considers that Centrelink has in place key processes covering most of the areas specified in P3M3 for Levels 1 and 2. This assessment does not mean that Centrelink's processes are fully effective in all of these areas, or understood across the organisation, but rather that there is sufficient management direction and actual practice to conclude that they are embedded in Centrelink's approach to project management.

5.15 These key processes comprise:

Level 1

- Project definition
- Programme management awareness

Level 2

- Business case development
- Programme organisation
- Programme definition
- Project establishment
- Project planning, monitoring and control
- Stakeholder management and communications
- Requirements management
- Risk management
- Configuration management
- Programme planning and control
- Management of suppliers and external parties.

5.16 In general terms, Centrelink would benefit from moving towards establishing defined processes consistent with Level 3 of P3M3, and the agency is already

achieving improvements in a number of the process areas associated with Level 3. Appendix 2 provides a summary of the process areas that Centrelink will need to address to achieve this higher level of maturity, and a brief assessment of its current position.

5.17 While the ANAO's assessment shows that Centrelink has work to do to reach the higher levels of project management maturity against better practice standards, it does not indicate where Centrelink is positioned in project maturity terms relative to other public sector agencies. The ANAO did not have benchmarking information available for other agencies against the OPM3 and P3M3 models to make an assessment in this regard. However, the KPMG 2005 Global IT Project Management Survey provides some statistics which put Centrelink's current position in perspective and these are shown in the following table.

Table 5.2

KPMG observations and research on IT projects

Common observations	KPMG research indicates that
Unrealistic expectations (or inflated business case)	Organisations readily admit that they typically deliver 51 per cent to 75 per cent of targeted benefits
Limited Board visibility	47 per cent do not have defined KPIs, and 13 per cent do not report to the Board at all
Limited Executive commitment	Only 23% always tie benefits to individual performance plans
Limited organisational commitment	Only 23% always integrate benefits into future operational plans
Limited skills	Only 24% of organisations claim the majority of their project managers are formally trained
Never really knowing what could be achieved	Only 27% always baseline prior to a project
Not following through	3% track benefits until realised, and 59% have no, or an informal, benefits management process
Casual risk management	29% perform a rigorous risk analysis during planning

Source: KPMG, Global IT Project Management Survey – How committed are you?, KPMG International, 2005.

5.18 These statistics suggest that the issues Centrelink faces are also likely to be present in other public sector organisations that manage complex projects. Indeed, the statistics show that Centrelink's initiatives and approach are ahead in some areas compared to other organisations. The ANAO recognises the efforts that Centrelink has made to date, through the CPMF, and the complexity of the task ahead of the agency. As previously noted, Centrelink implemented in 2000 a project management framework based on best practice from the project management discipline and has been continuously improving it since then. The ANAO also recognises Centrelink organisational commitment to continue with this process.



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22 February 2007

Appendices

Appendix 1: Project Management Body of Knowledge

Project management processes

1. PMBoK¹⁰⁶ defines a process as ‘a set of interrelated actions and activities that are performed to achieve a pre-specified set of products, results or services’ (page 38). There are iterations and interactions between processes which make project management an ‘integrative’ undertaking (page 38). For example, a project plan may need to be re-visited to take into account a change in project scope. PMBoK defines the key project processes and shows the interaction between them. It aggregates project processes into five process groups according to their purpose and general sequence:

- the initiating process group comprises the processes required to gain formal authorisation to start a new project or project phase (page 43);
- the planning process group comprises the processes necessary to develop and maintain a project plan and its elements (page 49);
- the executing process group includes the processes used to carry out work defined in the project management plan (page 55);
- the monitoring and control process group includes the processes performed to identify potential and actual problems and manage them (page 59); and
- the closing process group comprises all of the processes to close off a project and handover the project outputs to others (page 66).

Project management knowledge areas

2. As well as referring to process groups, PMBoK divides processes into nine knowledge areas, which group processes by the skills and knowledge needed to complete them (page 369). The nine knowledge areas are summarised in the following table.

¹⁰⁶ All page references in this appendix are to A Guide to the Project Management Body of Knowledge Third Edition, Project Management Institute, Pennsylvania, 2004.

Table A1**PMBok Knowledge Areas**

Knowledge area	Description
Project Integration Management	Processes to identify, define, combine, unify and coordinate the various processes and project management activities within the Project Management Process Groups.
Project Scope Management	Processes required to ensure that the project includes all the work required, and only the work required, to complete the project successfully.
Project Time Management	Processes required to accomplish timely completion of the project.
Project Cost Management	Processes involved in planning, estimating, budgeting and controlling costs so that the project can be completed within the approved budget.
Project Quality Management	Processes and activities of the performing organisation that determine quality policies, objectives, and responsibilities so that the project will satisfy the needs for which it was undertaken.
Project Human Resource Management	Processes that organise and manage the project team.
Project Communications Management	Processes required to ensure timely and appropriate generation, collection, distribution, storage, retrieval and ultimate disposition of project information.
Project Risk Management	Processes concerned with conducting risk management planning, identification, analysis, responses, and monitoring and control on a project.
Project Procurement Management	Processes to purchase or acquire the products, services or results needed from outside the project team to perform the work.

Source: Appendix F, PMBoK, pp. 338-341

Appendix 2: Moving towards defined portfolio, programme and project management processes

P3M3 Key process area	Description	ANAO assessment/comments
3.1 Benefits management	To identify, plan, model and track potential benefits, and to assign responsibilities for their realisation.	Benefits management policy introduced in October 2005, but benefits management is not yet mature.
3.2 Transition Management	To ensure that relevant business operations are prepared for the implementation of project outputs. Transition plans are produced.	Formal project closure and steering arrangements exist which should enable effective transition management. But they are not applied in all cases. Transition plans and approaches do not exist as envisaged in P3M3.
3.3 Information management	Maximises the efficiency by which an organisation plans, collects, organises, utilises, controls, disseminates and disposes of information.	There are inefficiencies in Centrelink's use of information, particularly in the lack of linkages between key project tools.
3.4 Organisational focus	To establish the leadership and necessary responsibility for programme and project management activities.	Centrelink has a formal, operating governance structure but the CPO is too focussed on individual projects and is not fully effective.
3.5 Process Definition	Develop and maintain a set of programme and project management assets including frameworks, lifecycle descriptions, templates, process tailoring guidelines, documentation libraries.	Centrelink has developed these kinds of assets but does not maintain them.
3.6 Training, skills and competency development	To develop the skills and knowledge of programme and/or project managers so that they can perform their tasks effectively.	Centrelink has a project management diploma which has been customised to reflect CPMF, however the IMPC policy has not been implemented.
3.7 Integrated management and reporting	All programme and project activities, including managerial and administrative aspects form a coherent set tailored from the organisation's standard approach.	CPMF is scalable in accordance with PMBoK. Programme level management arrangements (e.g. Families, Welfare to Work and Refresh) are agreed at senior management level.
3.8 Lifecycle control	Programmes and projects conducted according to a well defined process and produce consistent products.	The arrangements for IT components of projects meet this criterion, but they are not in place for non-IT components.
3.9 Inter-group coordination and networking	Establishes means for teams to communicate and actively engage with other teams to more adequately satisfy business and customer needs.	Project manager's team room is potentially a useful tool for this, but is not maintained.

P3M3 Key process area	Description	ANAO assessment/comments
3.10 Quality Assurance	Provides organisational assurance that programmes and/or projects have suitable quality plans and measures to ensure that processes are suitably controlled and produce deliverables that meet explicit quality criteria.	CPO does not undertake quality assurance reviews on a routine basis.
3.11 Centre of Excellence role deployment	Provides a coordinating function that provides strategic oversight, scrutiny and challenge across an organisation's portfolio.	Project Coordination Branch has undertaken a number of initiatives that suggest that it is attempting to be the Centre Of Excellence but it is not in this position yet.
3.12 Organisation portfolio establishment	Enable Management board to make decisions concerning the 'scale of change'.	Benefits Realisation Section is responsible for implementing portfolio level management. It is doing so but the process is not embedded and supported at senior levels.

Appendix 3: Agency responses

Full agency responses to the audit report are included in this Appendix. As well as providing the report to Centrelink, the ANAO gave the Department of Human Services an opportunity to respond to the report.

Centrelink

I am writing to you in response to the Australian National Audit Office (ANAO) Performance Audit 'Project Management in Centrelink'. I welcome this audit report and the collaborative manner in which the audit has been conducted and in particular that throughout the report you have recognised and acknowledged the organisational commitment to continue to improve our project management discipline. Thank you for the opportunity to comment on the report.

We continue to work on the processes, methodologies and issues that the ANAO have canvassed. We are in the process of implementing all of the recommendations. Project management competency in the organisation has been steadily maturing over a number of years, and the current transformation activities are logical steps to shift focus from project level activities to a portfolio viewpoint. Centrelink has also endorsed a strategy to improve project management within our organisation. This strategy is designed to respond to the draft recommendations and is underpinned by an Implementation Plan that institutes rollout and cultural change.

One of the key aspects that I believe this audit also highlights is the high proportion of budget funded projects that my organisation undertakes compared to internally funded initiatives. My intention is to circulate this information to ensure that client Departments who work with Centrelink are also aware of this particular reality.

Response provided by Mr Jeff Whalan, Chief Executive Officer.

Department of Human Services

Thank you for your letter of 19 December 2006 providing the proposed Audit Report for the performance audit of Project Management in Centrelink and requesting comments pursuant to Section 19 of the Auditor-General Act 1997. Overall I welcome the audit report.

The proposed report implies, however, that policy decisions are made with limited knowledge of the ramifications for service delivery. In doing so, it does not fully reflect the role of the Department of Human Services in ensuring that service delivery is considered during the development of policy. The Department's role is to ensure that Human Services agencies, including Centrelink, are given adequate opportunity

to assess the effect of policy proposals from a delivery perspective and to estimate the time and cost to implement those proposals. The Department also ensures that Centrelink's assessment and estimates are provided to the purchaser departments in time for consideration prior to policy advice being given to the Government.

Accordingly, I would be appreciative if your final report could be amended to recognise the service delivery input into policy development which is facilitated by the Department. I have attached some suggested words along these lines for inclusion in the report.

I have noted Centrelink's proposed response to the report's recommendations and I do not consider it necessary for the Department to comment formally on those recommendations as well. I will, however, monitor Centrelink's implementation of your recommendations.

Response provided by Mr Alex Dolan, Acting Deputy Secretary.

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