

The Auditor-General
Audit Report No.17 2007–08
Performance Audit

Management of the IT Refresh Programme

Centrelink

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of Australia 2007

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Canberra ACT
19 December 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 *Management of the IT Refresh Programme*.

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.

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.

For further information contact:
The Publications Manager
Australian National Audit Office
GPO Box 707
Canberra ACT 2601

Telephone: (02) 6203 7505
Fax: (02) 6203 7519
Email: webmaster@anao.gov.au

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Audit Team

Fran Holbert
Michael McFarlane

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Abbreviations

ABN	Australian Business Number
AGIMO	Australian Government Information Management Office
ANSI	American National Standards Institute
BAH	Booz Allen Hamilton
BDR	Business Definitions Registry
BI	Business Intelligence
CBA	Commonwealth Bank of Australia
CEO	Chief Executive Officer
CES	(Former) Commonwealth Employment Service
COLFrame	Centrelink Online Framework
CNOC	Centrelink Network Operations Centre
CPMF	Centrelink Project Management Framework
CRN	Customer Reference Number
CSHC	Commonwealth Seniors Health Card
DAFF	Department of Agriculture, Fisheries and Forestry
DEST	Department of Education, Science and Technology
DEWR	Department of Employment and Workplace Relations
DNRP	Data Network Redesign Project
DVA	Department of Veterans' Affairs

EDW	Enterprise Data Warehouse
FaCS	Former Department of Family and Community Services, now FaCSIA
FaCSIA	Department of Families, Community Services and Indigenous Affairs
Finance	Department of Finance and Administration
Health	Department of Health and Ageing
I&T	Information and Technology
ICT	Information and Communication Technology
IRAS	Internet Remote Access Service
ISIS	Income Security Integrated System
IT	Information Technology
ITSM	Information Technology Service Management
ITIL	Information Technology Infrastructure Library
IVR	Integrated Voice Recognition
JET	Java Evolution and Transition
J2EE	Java 2 Platform Enterprise Edition
MIPS	Millions of Instructions per Second
NECC	National Emergency Call Centre
OGC	United Kingdom Government's Office of Government Commerce
P3M3	Portfolio, Program and Project Management Maturity Model

PM&C	Department of the Prime Minister and Cabinet
PMBok	Project Management Body of Knowledge
RDBMS	Relational Database Management System
Refresh	IT Refresh Programme
RPO	Refresh Programme Office
SAMS	Security Access Management System
SAS	Security Authentication Services
SLAM	Security Login, Audit and Monitoring
The Treasury	Department of the Treasury

Glossary

ADE	Applications Development Environment—a suite of programmes, tools, technologies and processes that supports and controls the development, testing and packaging of applications.
COLFrame	COLFrame is essentially the applications environment that supports online applications. It provides controlled access, from various presentation types, to Centrelink's data systems including the ISIS environment. It is being replaced by the J2EE platform because the development and runtime environment, on which COLFrame applications are based. Forte is no longer to be supported by Sun Microsystems.
Desktops	Desktops are the user interface: they can include the screens people look at, the computers that they use and the software applications that are available to them.
Gateway review	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. Centrelink has used the Gateway review process as part of its management of IT Refresh.
Forte	A free Java environment available from Sun Microsystems.
ISIS	Income Security Integrated System—Centrelink's main customer database located on its mainframe computers. It has been developed using M204 code and has proved to be good for handling large quantities of data, such as those used by Centrelink.

ITIL	Information Technology Infrastructure Library—a framework of best practice approaches intended to facilitate the delivery of high quality information technology services and overcome difficulties associated with the growth of IT systems. It was developed by the UK's Central Computer and Telecommunications Agency (CCTA). The names <i>ITIL</i> and <i>IT Infrastructure Library</i> are Registered Trade Marks of the UK's Office of Government Commerce (OGC).
Java	A high-level programming language developed by Sun Microsystems. It has a number of features that make it well suited for use on the World Wide Web.
J2EE	Java 2 Platform Enterprise Edition is an open-source Java platform designed (by Sun Microsystems with industry partners) for mainframe computing in large-scale enterprises and has the functionality that makes it well suited for developing multi-tiered Web-based applications.
Metadata	Metadata is essentially data about data. The metadata will specify the form of other data and will depend on the context. So, for example, when considering the data management of an automated system that manages geographical data, 'postcode' might be data and 'data item name' and '4 characters, all numeric' would be metadata.
Middleware	Software or programming that 'glues together' or mediates between two separate and often already existing programmes. It is most often used to support complex, distributed applications (ie, applications running in different environments, usually on different platforms).
Midrange platforms	Centralised and decentralised computing platforms other than mainframe computer platforms.

P3M3	The Portfolio, Program and Project Management Maturity Model developed by the United Kingdom Government's Office of Government Commerce (OGC).
PMBok	A project management framework that has been developed by the US Program Management Institute. It is an American National Standards Institute (ANSI) standard.
Portal	A portal is a presentation layer to diverse back-end information and systems. The main purpose of a portal is to bring together information and services from different sources that may be held in different locations and on different computer systems and databases. The portal may be accessing content from inside an organisation or from different organisations.
Portlet	A portlet is a component on a portal page that may provide access to information or services. A portal page can be made up of one or many portlets. Portlets can have their own controls or operators, such as maximise, minimise, close. A portlet can trigger actions in other portlets, such as a menu portlet opening other portlets on the page. This is called 'click to action'.
Presentation layer	The presentation tier is one of the tiers of a Service Oriented Architecture. It caters for the range of possible client devices, providing for the assembly of content, formatting, conversions and transformations needed to deal with any channel-specific user interfaces, providing a common layer of translation between internal business applications and the user interface.
Scalable	A desirable property of a system, network or process that indicates its ability to either readily handle growing amounts of work or to be readily enlarged.
Servers	Servers are powerful computers that give people access to software applications and system devices.

Service Oriented Architecture (SOA)	Service Oriented Architecture is essentially a software architecture based around a collection of services that communicate with one another. It allows for the separation of services into multiple tiers to improve reuse.
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Summary and Recommendations

Summary

Introduction

1. Centrelink is a statutory authority, within the Human Services portfolio, that was established under the *Commonwealth Services Delivery Agency Act 1997*. It provides 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.

2. Centrelink's IT Refresh Programme (Refresh) is a five year programme¹ that was announced in the 2003–04 Budget at a cost of \$364 million, but with the expectation that it would achieve offsetting savings over five years of \$304.9 million.

3. Refresh's aim is to modernise Centrelink's Information Technology (IT) systems so as to provide:

- simplified customer access;
- whole-of-government service integration;
- community sector participation in service delivery;
- simplified processes for the business sector; and
- improvements in Centrelink's effectiveness, efficiency and responsiveness.

4. This audit follows on from the ANAO's performance audits of the EDGE project (No.40 of 2004–05) and Project Management in Centrelink (No.28 of 2006–07). The 2006–07 audit of project management did not examine the Refresh Programme in any detail because, given its materiality, it was decided to undertake a separate audit of Refresh.

¹ In the discipline of project management, the term 'programme' refers to a group of related projects.

Audit scope and objectives

5. The overall objective of the audit was to assess the effectiveness of Refresh and, in particular:

- the extent to which Centrelink has used the funds invested by the Government to develop its IT capability and realise the anticipated service delivery, financial and other benefits; and
- how Centrelink's programme management approach and Refresh's oversight arrangements have contributed to the achievement of the outcomes of the programme.

6. The audit examined the operation of Refresh from its inception in 2002–03 and made an assessment of what was likely to be completed by the end of the programme in June 2008. The audit also examined the governance arrangements for the programme and its management from both lifecycle and functional viewpoints² against internationally recognised programme and project management standards.

7. In examining Centrelink's management of Refresh, the audit sought to identify both the elements of Centrelink's approach that were effective and any areas for improvement so as to inform future programmes, both for Centrelink and other agencies running major IT programmes.

Conclusion

8. Centrelink, through Refresh, has effectively met its commitments to Government (see Table 1.1 in Chapter 1). It has:

- increased the range of services Centrelink's customers are now able to access online;
- significantly advanced the development of the capability to provide improved online services for private sector organisations that will enable them to verify customer circumstances and to exchange information;
- reduced the risk of service compromise or failure due to the ageing of its systems that existed at the start of Refresh; and

² Details of these are provided in Chapter 4.

- established an Enterprise Data Warehouse that will provide the capability to substantially improve its management information (although it will take some years to fully populate the database).
9. Over the five years of the Refresh programme³, Centrelink committed to achieving savings in administered payments (such as benefit and pension payments) of \$184 million and savings in departmental expenses of \$120.9 million. Based on Centrelink figures, accepted by the Department of Finance and Administration, Centrelink has achieved the committed budgetary savings.
10. Savings in administered expenses were considerably higher than originally estimated (\$405.8 million compared to \$184 million). However, the savings did not result from the originally envisaged technology improvements, which would have provided links with other organisations to enable 'real-time' verification of customer circumstances up-front. Rather, they were mainly achieved through reductions in customer payments as a result of additional data matching activities that identified increases in Centrelink customers' asset values and income. The increased asset values resulted from the rapid rise in property values in recent years.
11. Based on figures provided by Centrelink, as at April 2007, the savings in departmental expenses from Refresh initiatives are expected to total some \$46.2 million by 30 June 2008. This is about 38 per cent of the originally envisaged savings in departmental expenses. Centrelink was required to find the remaining savings from non-Refresh reallocations (Centrelink's appropriations for departmental expenses were reduced by the amount of the originally committed savings). However, the figure of \$46.2 million (or 38 per cent of originally envisaged savings) may be an under-estimate of the departmental savings that the Refresh initiatives will ultimately produce because it is likely that the Centrelink benefits model does not capture all savings and because further savings may be realised after the programme concludes at the end of 2007–08.
12. The programme management arrangements for the Refresh programme have worked well. There has been both effective oversight and effective internal coordination and management of Refresh. Centrelink experienced difficulties with a number of projects and with the structure of some sub-programmes in the early stages of Refresh. However, where

³ The duration of the programme is 1 July 2003 to 30 June 2008.

necessary, Centrelink has halted failing projects and redirected resources to areas of highest priority.

13. While Centrelink's management of Refresh has been effective, there is scope for improvement in terms of benefits management (the Refresh Benefits Management Plan has not yet been finalised), in obtaining the more active engagement of its business areas and in its management of the overall cost of the programme. A challenge for Centrelink will be to ensure that the considerable experience and knowledge gained in terms of good programme and project management (and which can be usefully applied to future programmes and projects) is not dissipated as the Refresh Programme Office is dismantled at the end of Refresh.⁴

Key findings by chapter

Chapter 2 (Impact of Refresh)

14. The ANAO analysed how effectively Centrelink has met the commitments given to the Government in the context of the business case to obtain funding for Refresh. In particular, this included the impact of Refresh on:

- Centrelink's ability to provide online services, including making it easier for Centrelink customers, the community, business and other government agencies to do business with Centrelink;
- the stability and sustainability of Centrelink's IT infrastructure;
- business intelligence; and
- the delivery of promised administered and departmental savings.

15. Centrelink's performance against each of the twelve commitments given to the Government is summarised below in Table 1.

⁴ These include the need for effective governance arrangements (discussed in Chapter 3 in relation to Refresh) and the application of best practice programme and project management systems (discussed in Chapter 4 in relation to Refresh).

Table 1**Centrelink performance on its commitments to the Government**

Commitment to Government	Centrelink performance
Centrelink's ability to provide online services <i>Details at paragraphs 2.3 to 2.30</i>	
<i>Provide the customer portal software and hardware that the Customer Account project requires to deliver self-service enabling that project to achieve its \$17 million per year programme savings target (Commitment 3)⁵.</i>	<p>Customer portal software and hardware have been provided. Portals now exist for Centrelink customers and for customers to access Centrelink, Medicare or Child Support Agency services from the Department of Human Services Web site.</p> <p>Centrelink members of staff are also able to access services through a staff portal.</p>
<i>Provide systems that would enable state and local governments to verify entitlement to concessions on a real-time basis (Commitment 4).</i>	<p>While improved arrangements have been established for data matching with state authorities (eg, with state housing authorities and State Land Titles Offices), the capacity for real-time verification of concessions has not yet been established.</p>
<i>Enable the Government to implement modern innovation programme initiatives that use the ability to connect different services together, providing greater opportunities for different service delivery models (Commitment 6).</i>	<p>Centrelink has developed the capacity to connect different services together through its portal software and this is being improved through current work on 'virtual' portals. Security certificates provided by other agencies, such as the ATO, can also be used to access these services.</p>
<i>Make it easier and less costly for the private sector to respond to requests to verify customer circumstances by enabling the Internet to be used to exchange information (Commitment 8).</i>	<p>Centrelink has made good progress in developing the capability for it to verify customer circumstances and exchange information with private sector organisations. This work is ongoing and will be a focus for Centrelink's 2007–08 Refresh work programme.</p>
<i>Enable better access to government services in regional and indigenous communities through Internet and telephone-based systems (Commitment 9).</i>	<p>Centrelink's Internet Remote Access Service (IRAS) enables a fast connection to Centrelink's mainframe and business services to be established over any internet connection. This offers substantially improved access to Centrelink services by people living in rural and remote communities and other opportunities for targeted support (eg, Drought Bus - see Table 2.3 for further information).</p>

⁵ The numbering of Centrelink's commitments to the Government is consistent with Figure 1.1 in Chapter 1.

Commitment to Government	Centrelink performance
<p><i>Enable the Government to offer Australians the same level of and choices of access to services that are provided by the banks and other organisations, and that Australians are coming to expect (Commitment 10).</i></p>	<p>Centrelink customers are now able to access an increased range of services online. Where agreed by the purchasing agency, customers are able to view the information Centrelink holds on them, change certain details, such as address, accommodation and telephone details, apply online for certain assistance (eg, claims for Austudy and apprenticeships / traineeships and family payments) and view/receive letters online (with advice by SMS or email of an incoming letter).</p>
<p>Stability and sustainability of Centrelink's IT infrastructure <i>Details at paragraphs 2.31 to 2.56</i></p>	
<p><i>Enable Centrelink to build solutions outside of its core systems, and so permit faster and cheaper development of new initiatives where the complexity is not too great (Commitment 5).</i></p>	<p>Centrelink has established a more flexible data network architecture, improved its hardware platforms to support middleware environments, established its J2EE-based midrange platform (and commenced migration of legacy systems to that platform), implemented tools that will improve the consistency, reliability and ease of development and maintenance of new applications and improved internal and external security.</p> <p>However, while well advanced, full implementation of this new infrastructure is expected to extend beyond 2007–08. Centrelink's future focus will also need to be on how best to use the new infrastructure to enhance its customer service and operational effectiveness.</p>
<p><i>Remove the risk of a significant failure occurring in Centrelink's core systems and the need to replace this technology in the next five years at a cost of over one billion dollars (Commitment 11).</i></p>	<p>Centrelink has increased data network capacity to support growing online business requirements and seasonal peaks, tuned its M204 mainframe environment and implemented better systems monitoring tools. These steps, coupled with the redevelopment of its midrange platform and improved system development and testing arrangements, mean that there is a substantially reduced risk of significant failure in Centrelink's core systems.</p>
<p>Business intelligence <i>Details at paragraphs 2.57 to 2.79</i></p>	
<p><i>Provide improved management information including ready access to accurate information not currently available and the analysis of information available through the use of Internet and telephone channels for policy information and feedback (Commitment 12).</i></p>	<p>Centrelink has established an Enterprise Data Warehouse. However, this has taken longer than originally anticipated and it will take a number of years—beyond the end of Refresh—for the warehouse to be populated with data and for the necessary analytical</p>

Commitment to Government	Centrelink performance
	<p>reports to be written. Because of this, it will take some time for ready access to accurate information to be available to all users.</p> <p>Centrelink has also developed some useful tools—in particular, the Business Definitions Registry—but further work is needed to ensure that these are being used widely and that their benefits are fully realised.</p>
Departmental and administered Savings <i>Details at paragraphs 2.81 to 2.99</i>	
<i>Realise departmental savings by reducing the need for Centrelink to support a diverse range of software and hardware acquired independently for particular initiatives and by introducing efficiencies in Centrelink's customer debt calculation process (Commitment 2).</i>	<p>Centrelink's departmental appropriations have been reduced by the amount of the originally committed savings—and so the agency will realise the committed budgetary savings.</p> <p>However, based on Centrelink figures to April 2007, the Refresh initiatives themselves will only realise about \$46.2 million in 'business' savings, or 38 per cent, of the originally estimated savings of \$120.9 million in departmental expenses from efficiencies in Centrelink operations over the term of Refresh.</p>
<i>Provide portfolio savings in administered funds through real time validation of customer circumstances with external parties, in areas of known opportunities that could not be efficiently addressed with current technology (Commitment 1).</i>	<p>Based on Centrelink figures to April 2007, Centrelink has achieved savings in administered expenses of about \$405.8 million (or about 221 per cent of the originally estimated savings of \$184.0 million in administered expenses).</p> <p>However, while the administered savings were intended to be generated from the technology improvements implemented through Refresh, they were not achieved in the way initially intended, employing the originally envisaged technology improvements.</p>

16. Centrelink's experience with the development of Refresh savings options underlines the importance of agencies devoting sufficient time and analysis to establishing the feasibility of savings options, since they directly affect the investment decisions of the Government as well as the Budget and forward estimates of expenditure. For future projects, the ANAO suggests that there is a need for Centrelink, in preparing Budget estimates of savings measures, to reasonably establish the feasibility of the savings options and the necessary preconditions for the achievement of the savings, particularly where they involve the cooperation of other Commonwealth agencies, state government agencies, businesses and other organisations.

Chapter 3 (Governance arrangements for Refresh)

17. In approving the additional funding for Refresh, the Government:

- established a high-level committee (now called the 'Refresh Oversight Committee') to provide oversight of Refresh;
- arranged for Centrelink to provide annual reports on the achievement of savings and project milestones; and
- arranged for a mid-term review of outcomes in 2005.

18. These arrangements have worked well. The Oversight Committee included senior level representatives from central agencies and key service agencies as well as an independent technical representative called the Specialist Adviser. The Specialist Adviser⁶, among other things, was able to provide advice to the Committee on matters most critical to the success of Refresh.

19. The Oversight Committee initially established a 'Decision Rights Protocol' to provide guidance on issues that required its involvement. This has enabled the Committee to remain strategic in its focus, while at the same time exercising its oversight authority.

20. A number of Oversight Committee members considered that the role of the Committee had been sharpened following the Machinery of Government changes in 2004. At that time, among other things, the Department of Human Services was established, the Department of Employment and Workplace Relations assumed responsibility for labour market social security programmes and was brought onto the Committee and the Minister for Human Services asked that a higher priority be given to the early delivery of online services.

21. The Mid-term Review of Refresh in 2005 (and an earlier independent 'Health Check') highlighted areas in which Refresh was only partly contributing to the achievement of outcomes. This provided a necessary catalyst for Centrelink to refocus the programme, and so achieve improved outcomes over the remaining period of the programme, and for the Oversight Committee to better identify areas where it needed to provide stronger oversight of Refresh.

⁶ The Specialist Adviser's task is primarily to advise the Oversight Committee independently on every matter critical to its charter.

22. Overall, Centrelink's approach to the internal governance of Refresh has been effective and involved the establishment of:

- Refresh as a separate programme in recognition of its need to be separately managed within Centrelink and for specific reporting to the Government on its performance;
- a number of sub-programmes—currently Online Services; Foundation Infrastructure; Business Intelligence; and Savings Initiatives;
- management committees for the sub-programmes; and
- a Refresh Programme Office (RPO) to manage the programme.

23. At the outset of the programme, a number of Refresh project teams expressed concerns about the difficulty in obtaining the necessary stakeholder engagement for the projects, but stakeholder engagement has improved significantly over the life of the programme.

Chapter 4 (Refresh programme management)

24. Centrelink has managed the Refresh initiatives as a programme of related projects. Good programme management is essential to ensure that quality outcomes are achieved from the various projects, and to mitigate associated risks. The ANAO considers that the establishment of programme management arrangements for Refresh was appropriate, given the transformative, objectives-focused nature of Refresh, its complexity and the significant changes in business practices that flow from it.

25. The audit examined Refresh programme management from both lifecycle⁷ and functional⁸ viewpoints, using internationally recognised programme and project management standards.

⁷ The Centrelink Project Management Framework (CPMF) is based on the lifecycle view of projects. This involves:

- establishing the business case and business requirements for projects;
- planning projects and preparing a project management plan;
- undertaking projects, including providing status reports and managing changes to projects;
- the closure of projects (and preparation of a closure report) after the handover of project deliverables to operational areas; and
- carrying out a post-implementation review after the project deliverables have been in operation for a period of around 6 months (see the section commencing at paragraph 4.9).

⁸ The elements of functional management of projects considered were: integration management, scope management, time management, cost management, quality management, human resource management, communications management, risk management and procurement management. See the section commencing at paragraph 4.12 for further information.

26. The RPO has developed and authorised policy, procedures and tools and implemented support arrangements covering all of the key functional areas required by the Centrelink Project Management Framework (CPMF). While, the key documents for each of the phases of the project lifecycle were generally prepared for all Refresh projects, several instances were found where these documents were not prepared.

27. The ANAO considers that the RPO has matured as a strategically focussed unit that coordinates and integrates project processes to ensure successful project completion, meet stakeholder requirements and manage expectations and competing priorities. Its scheduling and time management processes developed in maturity over the course of the programme, and information was available on key aspects of projects' performance—deliverables and milestones; estimates of time and cost to complete; and earned value. To help manage coordination between projects, the RPO arranged meetings to consider cross-project issues.

28. The business case for Refresh that was submitted to the Government was based on a clearly articulated set of projects, sequenced and costed. However, the likelihood that these projects could be rolled out precisely with the envisaged sequence, estimated timing and cost was low, given continuing changes in technology, Centrelink's organisational capability and structure, and political and administrative arrangements over the multi-year period of Refresh. To meet these changing requirements, Centrelink adopted a planning approach for Refresh in which high level objectives and requirements were regularly analysed to produce the detailed specifications and requirements for project team action. The approach included ensuring that changes to objectives and high level requirements were recognised and reflected in changes at the individual project level. This planning approach was successful, although it took some time for it to be successfully integrated with the demands of year-on-year fiscal management that is required in the context of Budget funding.

Financial management

29. A breakdown of the Budget funding for Refresh is shown at Table 4.4 in Chapter 4. The ANAO's financial management findings are summarised below in Table 2.

Table 2**Financial Management Findings**

<ul style="list-style-type: none"> Expenses, other than depreciation expenses, have tracked closely with the originally budgeted allocations. Depreciation expenses are about \$37 million less than originally budgeted, reflecting the schedule delays and other difficulties that were experienced with capital procurement.
<ul style="list-style-type: none"> Capital expenditure tracked well below budgeted allocations for the first three years of Refresh, but, following a large increase in capital expenditure in 2006–07, is expected over the five years of Refresh to be close to the originally budgeted total.
<ul style="list-style-type: none"> Capitalised internally developed software (IDS) is higher than originally budgeted (\$36.6 million for the first 4 years of Refresh, compared with the originally budgeted amounts of \$22.9 million for this period and \$30 million over the full five years of Refresh). Centrelink has recognised capitalisable assets of \$7.8 million for non-IDS costs in 2007–08, but has not done so for earlier years as the requirements of the accounting standards for doing this could not be satisfied at that time.
<ul style="list-style-type: none"> No provision was made in the original Budget estimates for the cost of the RPO (expected to total about \$17 million—or 6 per cent of the programme budget—over the life of Refresh).
<ul style="list-style-type: none"> Centrelink established a Change Control Committee to consider all requests for changes in an individual project's budget as a result of a change in the scope of the project or other factors. This appears to have worked well and enabled Centrelink to maintain an effective control of Refresh costs.
<ul style="list-style-type: none"> No one area of Centrelink has had responsibility for monitoring the overall cost of Refresh. The RPO has had responsibility for monitoring direct costs (the original Budget allocation for direct programme expenses and capital expenditure was \$283.3 million) and the Budget and Management Accounting Branch has had responsibility for monitoring indirect costs (ie, the remaining \$80.7 million).

30. Although Refresh was approved in the 2003–04 Budget as a multi-year programme, its first three years projects' budgets were rebased annually. This made it difficult to monitor the cost of projects and their deliverables. However, this issue was identified in the 2005 Mid-term Review of Refresh and allocations were then made for the remaining project elements over the final two years of the programme. The ANAO has recommended, for future multi-year programmes and projects, that Centrelink should consider allocating funds to projects on a multi-year basis and that these allocations should be reviewed on an annual basis in the light of actual performance in the previous year in order to inform the annual budget process. The ANAO has also recommended that the financial performance of multi-stage projects be assessed at the end of each key project stage, so as to further improve the management of projects and provide a better mechanism for monitoring their cost.

Benefits Management Framework

31. Centrelink has not yet completed the development of a Benefits Management Framework. A draft Benefits Management Plan for Refresh has been prepared, but has not been approved by Centrelink management. The Plan also contains recommendations for improving benefits management in future programmes. The ANAO considers that Centrelink should finalise the Benefits Management Plan as a matter of priority and implement the recommendations in the approved Plan.

32. A summary of the benefits from Refresh is provided at Table 4.5 in Chapter 4.

Quality Management Framework

33. A key aspect of Centrelink's Quality Management Framework is the use of 'Gateway' reviews. These independent reviews are carried out at key stages of a project's lifecycle.⁹ Centrelink's adoption of the Gateway Review process has provided useful assessments of the 'health' of Refresh projects at critical points and enabled Centrelink to take appropriate decisions on their future.

34. Although Centrelink has adopted the Gateway Review processes as a management approach, relatively few Gateway 3 (Project Close) and Gateway 4 (Benefits Realisation) reviews have been done. The benefits in undertaking such reviews are that they:

- identify implementation issues or further work that Centrelink may need to undertake to ensure that the benefits of a project are fully realised;
- identify lessons for the management of future projects; and
- assess the benefits achieved by major projects and help to improve Centrelink's benefits management framework.

35. Accordingly, the ANAO considers that there would be benefit in Centrelink scheduling such reviews for major Refresh projects.

⁹ Since August 2006, the Department of Finance and Administration has required agencies subject to the *Financial Management and Accountability Act 1997* to apply a modified Gateway review process for IT projects valued at \$10 million or more or procurements or infrastructure projects valued at \$20 million or more. Centrelink's introduction of Gateway processes in Refresh pre-dated the introduction of the Finance requirements.

Risk management

36. Centrelink's risk and issues management approach for Refresh is based on an adaptation of the Centrelink Risk Management Guidelines, which follow the Australia/New Zealand standard for risk management. Risks at programme level are managed by the RPO.

Procurement management

37. The Refresh programme is responsible for a substantial level of capital acquisition. While the RPO sought to coordinate procurement requests for Refresh, Centrelink's IT Infrastructure Division managed all procurement. Delays in procurement caused significant slippages in the scheduled deliverables of some projects.

38. The Centrelink Quality Assurance Framework provides for independent reviews (similar to the Gateway reviews) at key stages of a procurement lifecycle. Only one such review was undertaken. The ANAO considers that, in order to provide independent assessments of high risk IT procurements, Centrelink should undertake procurement reviews for such procurements, as envisaged in its Quality Assurance Framework.

Summary of agency response

39. Centrelink welcomes the ANAO audit report on Centrelink's IT Refresh Programme. The report is recognition of Centrelink's ability to manage large IT projects, and provide sophisticated access and improved service delivery for customers and government. The report recognises that Centrelink has met its commitments to government by effective oversight, internal control and management. The audit is acknowledgement of the progress Centrelink has made in project and programme management approaches.

Recommendations

40. The ANAO identified opportunities for Centrelink to further improve its management of multi-year programmes and projects and to ensure that the agency fully realises the benefits available from both the investments the agency has made through Refresh and also the lessons learned through the conduct of the Refresh programme. The ANAO made three recommendations aimed at addressing these opportunities.

Recommendations

Recommendation No 1

Para 2.80

The ANAO recommends that, to realise fully the benefits from the agency's investments in the development of the Enterprise Data Warehouse and the Business Definitions Registry, Centrelink:

- (a) give priority to the population of the Enterprise Data Warehouse; and
- (b) ensure that the Business Definitions Registry is populated, promoted and used.

Centrelink's response: Agree.

Recommendation No 2

Para 4.52

The ANAO recommends that, for all future multi-year programmes and projects, Centrelink:

- (a) allocate funds to programmes and projects on a multi-year basis and review these allocations on an annual basis in the light of actual performance in the previous year in order to inform the annual budget process; and
- (b) assess the financial performance of multi-stage projects at the end of each key project stage.

Centrelink's response: Agree.

Recommendation No 3

Para 4.89

The ANAO recommends that, in order to provide independent assessments of high risk IT procurements, Centrelink undertake procurement reviews for such procurements, as provided for in its Quality Assurance Framework.

Centrelink's response: Agree.

Audit Findings and Conclusions

1. Background

This chapter provides background information on Centrelink and on the Refresh Programme. 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 within the Human Services 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 programmes of support in times of crises and to address special community needs.

1.2 Centrelink manages more than 140 different products on behalf of 25 policy departments and other organisations and agencies.¹⁰ Centrelink's departmental appropriations and other resources for 2007–08 are estimated at about \$2.77 billion,¹¹ including revenue from policy departments of \$2.65 billion¹². In 2005–06 Centrelink made \$63.5 billion in social security and other payments, served some 6.5 million customers at more than 1 000 service delivery points and paid 9.9 million individual entitlements through approximately 6.7 billion electronic customer transactions.¹³

IT Refresh Programme

1.3 The IT Refresh Programme (Refresh) is a five year programme¹⁴ that was announced in the 2003–04 Budget. Funding of some \$364 million was provided to undertake Refresh with the aim of modernising Centrelink's IT systems so as to provide:

¹⁰ Key policy departments for which Centrelink delivers services include the Department of Families, Community Services and Indigenous Affairs, the Department of Employment and Workplace Relations, the Department of Education, Science and Training, the Department of Health and Ageing (Health), the Department of Agriculture, Fisheries and Forestry (DAFF) and the Department of Veterans' Affairs.

¹¹ Centrelink 2007–08 Portfolio Budget Statement in *Portfolio Budget Statement 2007–08 – Human Services Portfolio* (Budget Related Paper No.1.10), p. 78.

¹² *ibid*, p. 99.

¹³ *Centrelink Annual Report 2005–06*, Centrelink, 2006, p. 9. The 6.7 billion 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.

¹⁴ In this context, a programme refers to a group of related projects.

- simplified customer access;
- whole-of-government service integration;
- community sector participation in service delivery;
- simplified processes for the business sector; and
- improvements in Centrelink's effectiveness, efficiency and responsiveness.¹⁵

1.4 At the same time, Refresh was expected to achieve savings over five years of \$304.9 million (comprising savings of \$184.0 million in administered expenses and \$120.9 million in departmental expenses).

Refresh commitments to Government

1.5 The proposal to the Government seeking approval and funding of Refresh envisaged that the Refresh programme would result in improvements in Centrelink's services and operations in 12 areas. Centrelink refers to these as its 12 commitments to the Government. They are set out below in Table 1.1.

Table 1.1

Refresh commitments to Government

Commitment 1	Provide portfolio savings in administered funds through real time validation of customer circumstances with external parties, in areas of known opportunities that could not be efficiently addressed with current technology.
Commitment 2	Realise departmental savings by reducing the need for Centrelink to support a diverse range of software and hardware acquired independently for particular initiatives and by introducing efficiencies in Centrelink's customer debt calculation process.
Commitment 3	Provide the customer portal software and hardware that the Customer Account project ¹⁶ required to deliver self-service enabling that project to achieve its \$17 million per year programme savings target.
Commitment 4	Provide systems that would enable state and local governments to verify entitlement to concessions on a real-time basis.
Commitment 5	Enable Centrelink to build solutions outside of its core systems, and so permit faster and cheaper development of new initiatives where the complexity is not too great.

¹⁵ Refresh Information Kit (version 4.0, November 2006).

¹⁶ The Customer Account initiative was funded through the Budget for four years, from 1 July 2002 to 30 June 2006, to deliver a range of functions that would make it easier for Centrelink customers to do business with Centrelink. It was planned as an account statement for all payments (initially sent to all reporting income statement customers), with Centrelink customers over time being able to view and update a range of their information over the Internet. (Centrelink Annual Report 2003–04, p. 141.)

Commitment 6	Enable the Government to implement modern innovation programme initiatives that use the ability to connect different services together, providing greater opportunities for different service delivery models.
Commitment 7	Enable the Government to use its existing IT investments to greater effect reducing the need to duplicate capabilities and services across different agencies.
Commitment 8	Make it easier and less costly for the private sector to respond to requests to verify customer circumstances by enabling the Internet to be used to exchange information.
Commitment 9	Enable better access to government services in regional and indigenous communities through Internet and telephone-based systems.
Commitment 10	Enable the Government to offer Australians the same level of and choices of access to services that are provided by the banks and other organisations, and that Australians are coming to expect.
Commitment 11	Remove the risk of a significant failure occurring in Centrelink's core systems and the need to replace this technology in the next five years at a cost of over one billion dollars.
Commitment 12	Provide improved management information including ready access to accurate information not currently available and the analysis of information available through the use of Internet and telephone channels for policy information and feedback.

Source: Refresh 2004–05 Work Programme, 6 July 2004.

1.6 Initially Centrelink identified six objectives—or 'outcomes'—for Refresh that would enable it to meet the commitments given to the Government. These are set out in Table 1.2.

Table 1.2

Original six outcomes sought from Refresh

Outcome 1	Provide Centrelink's services on-line to customers, business and other stakeholders.
Outcome 2	Rationalise existing technology and reduce IT costs.
Outcome 3	Reduce the risk of systems failure.
Outcome 4	Faster and cheaper IT developments.
Outcome 5	Deliver savings in departmental and administered costs.
Outcome 6	Deliver substantially improved management information.

Source: Refresh 2004–05 Work Programme, 6 July 2004.

1.7 Following a Mid-term Review of the programme in 2005, these original six outcomes were redefined in the five outcomes set out in Table 1.3, on the basis that they better reflected the original commitments given to Government.¹⁷

Table 1.3

Current five outcomes sought from Refresh

Outcome 1	Provide a platform for improved online delivery of services.
Outcome 2	Reduce the risk of service compromise or failure due to ageing of existing systems.
Outcome 3	Deliver savings in administered and departmental costs.
Outcome 4	Ensure that doing business with the Government is made easier and less costly for organisations in the public, private and community sectors.
Outcome 5	Provide an infrastructure that can be used by other government agencies.

Source: Refresh Information Kit (November 2006).

1.8 The revised outcome statements place greater emphasis on ensuring that:

- Centrelink has the capacity to provide improved online delivery of services; and
- doing business with the government is made easier and less costly for organisations in the public, private and community sectors.

1.9 The revised outcome statements include no reference to the commitment to Government to provide substantially improved management information or what Centrelink calls ‘business intelligence’ (see Commitment 12 in Table 1.1 and Outcome 6 in Table 1.2)—although Centrelink has, in fact, continued to work on this.

1.10 Centrelink’s Programme Management Plan for Refresh states that the programme will be measured against three critical success factors:

- delivering online capability, including improved management information;
- rationalising legacy middleware and decommissioning superseded applications; and

¹⁷ Refresh Programme: Programme Management Plan (Version 3, 12 November 2006), p. 10.

- delivering savings.¹⁸

Development of Refresh

1.11 In 2002, Centrelink engaged the Boston Consulting Group to advise it on a suitable Information and Technology (I&T) strategy for the coming five years to meet its anticipated business needs. This study was called the Quadrants Project.

1.12 The Quadrants Project identified three objectives for Centrelink's I&T Strategy; four key business capability requirements for the coming five years; and eight technology initiatives to meet these business capability requirements. These are all set out in Table 1.4.

¹⁸ *ibid.*

Table 1.4

2002 Quadrants Project: Recommended I&T Strategy, business capability requirements and required technology initiatives

I&T Strategy	
Objective 1	To make certain that the core processing capacity based on the 1983 Stratplan installation (that is, the previous major computer upgrade programme in the then Department of Social Security) remained capable of paying pensions and other benefits accurately and on time into the future.
Objective 2	To take advantage of modern yet tested information technology in order to conduct the core processes more effectively and at lower cost.
Objective 3	To build into the system architecture sufficient flexibility to meet the increasingly sophisticated requirements of the Government's social and workplace policies, together with the management information requirements of Centrelink and its client departments.
Key business capability requirements for the following five years	
Requirement (i)	To improve Centrelink's operational capabilities.
Requirement (ii)	To improve Centrelink's customer, client agency and business interactions.
Requirement (iii)	To improve Centrelink's ability to support welfare reform by enabling third parties to engage with Centrelink and customers.
Requirement (iv)	To improve Centrelink's ability to distribute services to a broader range of clients.
Technology initiatives required to meet these business capability requirements	
Initiative (i)	Improve online channels: Building online channels (or modes of online access to Centrelink services) to customers, business, the community and agencies.
Initiative (ii)	Standardise customer service applications: This included interfaces into processing systems and decision management support.
Initiative (iii)	Enhance core processing: Enhancement to cope with the increasing number of transactions.
Initiative (iv)	Business process automation: Automation of selected business processes.
Initiative (v)	Stabilise multiplatform environments: Stabilising and standardising the midrange platforms.
Initiative (vi)	Upgrade communication network: Building the communications network to support new applications and users.
Initiative (vii)	Upgrade systems support: Standardising the applications development environments (ADE), implementing robust systems management, implementing appropriate security and standardising the desktop.

Initiative (viii)	Improve management of information: Developing an information architecture and putting in place appropriate information management systems.
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Source: Boston Consulting Group, Quadrants Documentation-Part 1.ppt (October 2002).

1.13 A number of possible projects were proposed to address the business requirements identified by the Quadrant Project. These, in turn, became the basis of the cost estimation of the Refresh Submission to the Government. While the projects that were ultimately implemented as part of Refresh differ from those that were originally envisaged, the eight technology initiatives remain relevant to the successful implementation of the commitments given to the Government and of the Refresh outcomes.

Rationale for the audit

1.14 This audit follows on from two previous ANAO performance audits of Centrelink's project management—an audit of the EDGE project in 2004–05¹⁹ and an audit of project management in Centrelink in 2006–07.²⁰ The 2006–07 audit of project management in Centrelink did not include an in-depth assessment of Refresh as it is sufficiently material in financial terms, and so critical to Centrelink's ongoing service delivery capability, that it merited a performance audit in its own right.

1.15 In project management terms, a programme is a group of projects managed in a coordinated way. For Budget-funded initiatives, programme management is the critical link between the investment decision made by the Government and the actual work carried out in projects. It is about developing the objectives for, and defining the capability to be delivered by, the projects that will be undertaken. For significant Information and Communication Technology (ICT) investments, like Refresh, programme management is essential to ensure that ICT solutions are enablers of an agency's outputs and of government services, rather than being ends in themselves. Information Technology (IT) programme management is a significant strategic issue for agencies.

1.16 Refresh represents a significant step by Centrelink towards introducing programme management in its approach to project management. Accordingly, the audit sought to identify the effective elements of Centrelink's current approach and areas requiring improvement. The lessons Centrelink has

¹⁹ Audit Report No.40 2004–05, *The Edge Project—Department of Family Services, Centrelink*.

²⁰ Audit Report No.28 2006–07, *Project Management in Centrelink*.

learned from Refresh would be useful for other agencies running major IT programmes.

Audit scope, objective and methodology

Audit objective

1.17 The overall objective of the audit was to assess the effectiveness of Refresh and, in particular:

- the extent to which it has achieved its objectives and Centrelink has used the funds invested by the Government to develop its IT capability and realise Refresh's originally anticipated service delivery, financial and other benefits (these are summarised in the commitments to the Government in Table 1.1); and
- how Centrelink's programme management approach and Refresh's oversight arrangements have contributed to the achievement of the outcomes of the Programme.

Scope and criteria

1.18 The audit examined the operation of Refresh from its inception in 2002–03 to the present time. The audit encompassed an examination of the programme from lifecycle²¹ and functional²² standpoints.

1.19 The ANAO developed criteria and evidence requirements, based on the 12 commitments given to the Government (Table 1.1) when Centrelink sought funding for Refresh in the 2003–04 Budget process, to use in assessing the extent to which Refresh has achieved its objectives and Centrelink has used the

²¹ The Centrelink Project Management Framework (CPMF) is based on the lifecycle view of projects. This involves:

- establishing the business case and business requirements for projects;
- planning projects and preparing a project management plan;
- undertaking projects, including providing status reports and managing changes to projects;
- the closure of projects (and preparation of a closure report) after the handover of project deliverables to operational areas; and
- carrying out a post-implementation review after the project deliverables have been in operation for a period of around 6 months (see the section commencing at paragraph 4.9).

²² The elements of functional management of projects considered were: integration management, scope management, time management, cost management, quality management, human resource management, communications management, risk management, procurement management. See the section commencing at paragraph 4.12 for further information.

funds invested by the Government to develop its anticipated IT capability and realise service delivery, financial and other benefits.

1.20 Criteria were also developed to test the extent to which Centrelink's programme management approach and Refresh's oversight arrangements have contributed to the achievement of the outcomes of the programme. The ANAO's criteria distinguish between oversight of the programme (which included an Oversight Committee whose representatives were approved by the Minister for Finance and Administration, external review and reporting to the Government) and Centrelink's own internal management and control of it and its component projects.

1.21 The ANAO examined whether the Oversight Committee had efficiently and effectively met its terms of reference. The ANAO also examined the extent to which the Committee had had a determining influence on the framing of the programme and delivery of commitments to the Government. The ANAO also examined how well Centrelink framed the programme and sub-programmes, how well it complied with its own project management framework and how well it performed in terms of project management better practice.

1.22 There are internationally recognised standards covering programme management and a large body of knowledge and better practice that were used to support tests against the criteria for this audit. Key sources included:

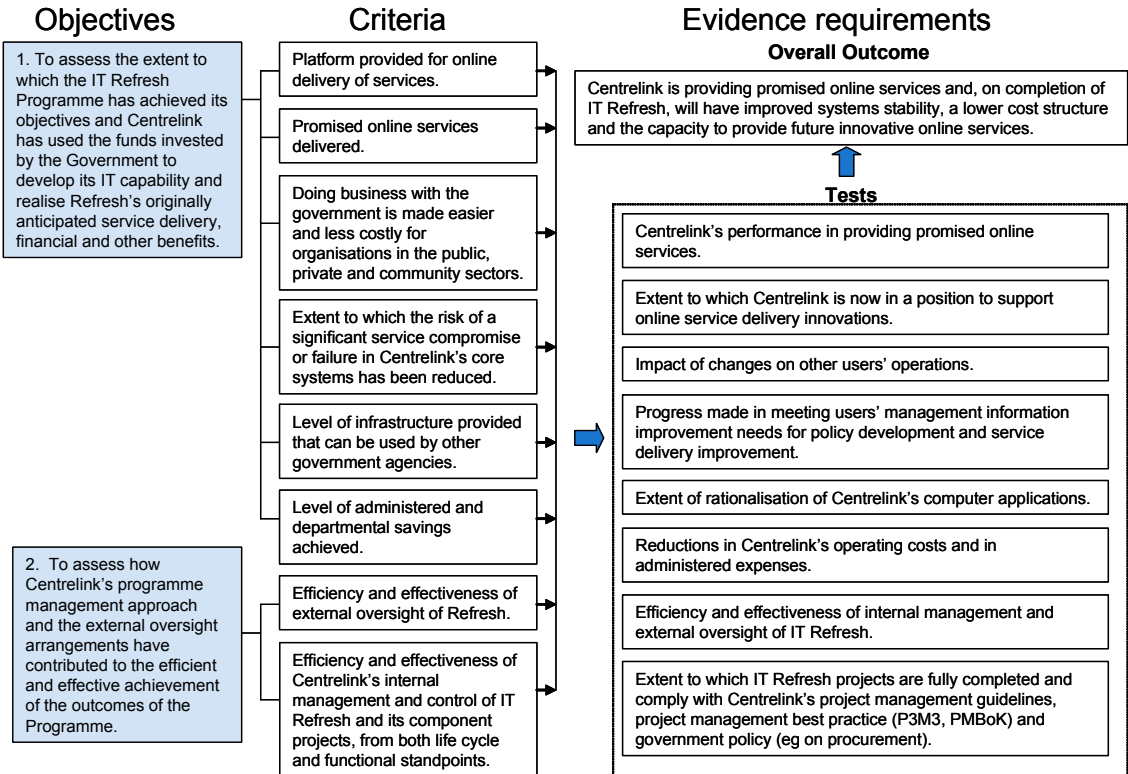
- the Portfolio, Program and Project Management Maturity Model (P3M3) developed by the United Kingdom Government's Office of Government Commerce (OGC). P3M3 provides a reference model that organisations can use as guidance for assessing their current level of programme management and for improving their programme-related processes. The model identifies five, ascending levels of programme management, with Level 1—Initial process representing basic, or virtually no, programme management—and Level 5—Optimised process representing better practice programme management; and
- the Project Management Body of Knowledge (PMBoK) developed by the Program Management Institute. The Institute has ISO 9001 certification and PMBoK is an American National Standards Institute (ANSI) standard. PMBoK provides a comprehensive framework covering all aspects of project management, including project integration management, which is a key element of programme management, and it is internationally accepted and utilised.

1.23 Reference was also made to better practice and requirements from other, related, disciplines including risk management (AS/NZS 4360:2004 Risk Management) and procurement (the Commonwealth Procurement Guidelines).

1.24 The audit approach is summarised in Figure 1.1.

1.25 The audit methodology involved:

- an assessment of the outcomes of Refresh, having regard to the commitments given to the Government, the stated objectives and critical success factors identified for the programme;
- an assessment of the Refresh programme management framework using the P3M3 maturity model, to assess the relative maturity of Centrelink's approach; and
- detailed analysis of Refresh using a model for programme management effectiveness based on programme management better practice concepts and Centrelink's own project management framework, and incorporating lifecycle and functional perspectives.

Figure 1.1**Centrelink – IT Refresh Program – Audit Approach****Audit methodology****1.26 Specific activities included:**

- a review of key programme documentation including steering committee papers and decisions, programme and related plans, monitoring reports and programme reviews;
- analysis of Centrelink's IT environment, including architecture, hardware and applications, so that Refresh's contribution to that capability may be assessed on an informed basis;
- analysis of other IT improvement initiatives within Centrelink to identify interdependencies and the manner of their co-operation with the Refresh programme;
- interviews with external stakeholders, including the external agencies represented on the Refresh Oversight Committee—the Department of the Prime Minister and Cabinet (PM&C), the Department of Finance

and Administration (Finance), the Department of the Treasury (the Treasury), the Australian Government Information Management Office (AGIMO), the Department of Human Services (DHS), the Department of Families, Community Services and Indigenous Affairs (FaCSIA) and the Department of Employment and Workplace Relations (DEWR)—and the independent external representative on the Oversight Committee, to obtain their views on the benefits of the programme and on where outcomes are not being achieved fully;

- a review of Refresh projects to assess functional management;
- assessment of procurement processes for capital purchases and major service contracts; and
- a financial assessment to determine the full costs and realised savings of the programme.

Assistance to the audit

1.27 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 \$390 000.

Report structure

1.28 There are three other chapters in this report:

- Chapter 2 analyses how effectively Centrelink has met the commitments given to the Government. In particular, it analyses the impact of Refresh on: Centrelink's ability to provide online services, including making it easier for Centrelink customers, the community, business and other government agencies to do business with Centrelink; on the stability and sustainability of Centrelink's IT infrastructure; on business intelligence; and on the delivery of promised administered and departmental savings;
- Chapter 3 assesses the efficiency and effectiveness of the governance arrangements—both internal and external—that were established for Refresh; and
- Chapter 4 examines the programme management arrangements that Centrelink has put in place for Refresh, and how these arrangements have contributed to the achievement of Refresh objectives.

2. Impact of Refresh

This chapter analyses how effectively Centrelink has met the commitments given to the Government.

Introduction

2.1 To analyse how effectively Centrelink has met the commitments the agency gave to the Government when seeking funding for the Refresh programme this chapter analyses the impact of Refresh on:

- Centrelink's ability to provide online services;²³
- the stability and sustainability of Centrelink's IT infrastructure;
- business intelligence in Centrelink; and
- the delivery of promised departmental and administered savings.

2.2 Each section of the chapter deals with one of these four areas of impact, which correlate to the four current IT Refresh sub-programmes—Online Services; Foundation Infrastructure; Business Intelligence; and Savings Initiatives. At the commencement of each section there is a table which assesses Centrelink's performance against each of the related commitments to the Government.

Centrelink's ability to provide online services

2.3 The Refresh commitments to the Government that relate to improvements in Centrelink's online services are commitments three, four, six, eight, nine and ten of Table 1.1.²⁴ The ANAO's findings on Centrelink's performance against its online service improvement commitments to the Government for Refresh are summarised in Table 2.1 below:

²³ This includes making it easier for Centrelink customers, the community, business and other government agencies to do business with Centrelink.

²⁴ Centrelink made these commitments to Government in the context of the 2003–04 Budget process (see paragraph 1.5.

Table 2.1

Summary of performance on online services

Commitment to Government	Centrelink Performance
<p>Provide the customer portal software and hardware that the Customer Account project requires to deliver self-service enabling that project to achieve its \$17 million per year programme savings target. (Commitment 3)</p>	<p>Customer portal software and hardware have been provided. Portals now exist for Centrelink customers and for customers to access Centrelink, Medicare or Child Support Agency services from the Department of Human Services Web site.</p> <p>Centrelink members of staff are also able to access services through a staff portal.</p> <p>The Customer Account Project achieved its savings target.</p>
<p>Provide systems that would enable state and local governments to verify entitlement to concessions on a real-time basis. (Commitment 4)</p>	<p>While improved arrangements have been established for data matching with state authorities (for example, with state housing authorities and State Land Titles Offices), the capacity for real-time verification of concessions has not yet been established.²⁵</p>
<p>Enable the Government to implement modern innovation programme initiatives that use the ability to connect different services together, providing greater opportunities for different service delivery models. (Commitment 6)</p>	<p>Centrelink has developed the capacity to connect different services together through its portal software and this is being improved through current work on 'virtual' portals. Security certificates provided by other agencies, such as the ATO, can also be used to access these services.</p>
<p>Make it easier and less costly for the private sector to respond to requests to verify customer circumstances by enabling the Internet to be used to exchange information. (Commitment 8)</p>	<p>Centrelink included this commitment in Outcome 4 of the current outcomes sought from Refresh namely: 'Ensure that doing business with the Government is made easier and less costly for organisations in the public, private and community sectors'. Centrelink has made good progress in developing the capability for it to verify customer circumstances and exchange information with private sector organisations. This work is ongoing and will be a focus for Centrelink's 2007–08 Refresh work programme.</p>

²⁵ On 3 December 2007, Centrelink advised the ANAO that its Customer Confirmation eService had been developed and was in production. [Centrelink response to draft audit report—letter from Centrelink Chief Executive Officer, dated 30 November 2007.]

Commitment to Government	Centrelink Performance
<p>Enable better access to government services in regional and indigenous communities through Internet and telephone-based systems. (Commitment 9)</p>	<p>Centrelink's Internet Remote Access Service (IRAS) enables a fast connection to Centrelink's mainframe and business services to be established over any internet connection. This offers substantially improved access to Centrelink services by people living in rural and remote communities and other opportunities for targeted support (for example, the Drought Bus – see Table 2.3 for further information).</p>
<p>Enable the Government to offer Australians the same level of and choices of access to services that are provided by the banks and other organisations, and that Australians are coming to expect. (Commitment 10)</p>	<p>Centrelink customers are now able to access an increased range of services online. Where agreed by the purchasing agency, customers are able to view the information Centrelink holds on them, change certain details, such as address, accommodation and telephone details, apply online for certain assistance (for example, claims for Austudy and apprenticeships / traineeships and family payments) and view/receive letters online (with advice by SMS or email of an incoming letter).</p>

2.4 As noted in Chapter 1, Centrelink identified objectives—or 'outcomes'—for Refresh that would enable it to meet the 12 commitments given to the Government. The outcome statements for Refresh online initiatives determined following the 2005 Mid-term Review (see Table 1.3) are²⁶:

- Provide a platform for improved online delivery of services (Outcome 1);
- Ensure that doing business with the Government is made easier and less costly for organisations in the public, private and community sectors (Outcome 4); and
- Provide an infrastructure that can be used by other government agencies (Outcome 5).

2.5 The discussion of Centrelink's performance in this section is arranged under each of the three relevant outcomes.

²⁶ These compare with the outcome statement as originally formulated at the outset of Refresh (set out in Table 1.2)—'Provide Centrelink's services online to customers, business and other stakeholders.' Following the restructure of the Online Services Sub-programme of Refresh in 2005, Centrelink categorised projects in the sub-programme as being either 'Business Projects' or 'Infrastructure Projects'. The infrastructure projects were initially part of the former 'Infrastructure Services Sub-programme'. However, other projects in the Foundation Infrastructure Sub-programme, as well as some non-Refresh projects, have also been integral to the provision of infrastructure to support online services.

Provide a platform for improved online delivery of services – Outcome 1

2.6 Centrelink's outcome statement for online services emphasises that Refresh is primarily intended to provide a platform for improved online delivery of services. However, Centrelink also needed to provide online services. This is because Commitment 3 to the Government stated that the portal software and hardware were required for the Customer Account initiative²⁷ and because it was necessary to provide online services in order to fully test the efficacy of the online services platform.

2.7 In November 2004, Machinery of Government changes moved Centrelink under the new Department of Human Services²⁸. At that this time, at the request of the then Minister for Human Services, the Hon Joe Hockey, MP, Centrelink gave a greater priority to the early delivery of online services. Table 2.2 sets out the resulting online services that have now been progressively implemented, building on the work done through the Customer Account initiative and preparatory work under Refresh.

²⁷ For details of this initiative, see footnote 16.

²⁸ In November 2004, the Department of Human Services (DHS) was created within the Finance and Public Administration Portfolio. Human Services is now represented in Cabinet in its own right. DHS consists of the core department, the Child Support Agency and CRS Australia. Centrelink, Medicare Australia, the HSA Group and Australian Hearing are portfolio agencies.

Table 2.2**Key online services delivered by Refresh following the establishment of the Human Services Portfolio**

<i>Online Service</i>	<i>Description</i>
<i>Centrelink customer portal (April 2006)²⁹.</i>	This is a secure logon facility for Centrelink customers to various services from the Centrelink Web-site. A list of online services available as at 30 June 2007 is at Appendix 1.
<i>DHS Cross-agency Portal and Authentication Hub (March 2007).</i>	This portal provides a single secure point of entry to online services provided by Centrelink, the Child Support Agency and Medicare for customers already registered with those agencies. Customers can create a single logon to access these services.
<i>An online portal for staff (September 2006).</i>	This is a secure logon facility for Centrelink staff to a range of information affecting them, in much the same way that Centrelink customers have access to information affecting them. ³⁰
<i>Secure access to some Centrelink services through interactive voice recognition (IVR) and Web channels.</i>	Payment and other information are available via Web and IVR channels.

2.8 Other important customer service improvement achievements of Refresh are set out in Table 2.3.

²⁹ A preliminary release of the portal occurred in April 2006. An enhanced version of the portal was implemented in April 2007. The portal infrastructure is now complete and responsibility for the portal has moved to maintenance mode (report to the Oversight Committee in July 2007).

³⁰ The early work on the staff portal (Refresh 1.8 – Staff Online Services) fed into the development of the Customer Portal. While Centrelink staff members are able to access the Staff portal, it is not the default entry to the Centrelink intranet (members of staff have to type 'Staffonline' into the URL/address line of their browsers). The Gateway Reviews of Refresh 1.8, including the Close Review, noted that there had been a mixed response from staff to what had been delivered at that time and that there was a need for a major business transformational exercise before the portal was delivered.

Table 2.3

Other customer service improvement achievements of Refresh

<i>Service Improvement</i>	<i>Description</i>
<i>Internet Remote Access Service (IRAS)</i>	<p>IRAS enables a fast connection to Centrelink's mainframe and business services to be established over any Internet connection in the world.</p> <p>The IRAS project (Refresh 6.1) was recognised by the Australian Institute of Project Management in the Project Management Achievement Awards.³¹</p> <p>The IRAS allows authorised Centrelink staff to access the Centrelink computing network via the Internet faster, cheaper and more securely, overcoming the speed and mobility barriers that have restricted fieldwork in the past. A Centrelink officer can access all customer service and office applications, including mainframe sessions, email, finance and personnel systems.</p> <p>The IRAS has enabled Centrelink to improve services to customers in regional and indigenous communities and other areas and has made it possible for Centrelink to develop a full-service capability in response to emergencies affecting Australian citizens locally, such as with Cyclone Larry that affected Innisfail in March 2006.</p>
<i>The removal of instances where a customer had more than one Centrelink Reference Number (CRN).</i>	By removing such instances, all customers were able to access online services. This was important in the development of the Customer Account.
<i>Secure Online Mail Service</i>	This allows Centrelink customers to subscribe to view letters online or receive an SMS or email advising of an incoming letter.
<i>Customer Account improvements</i>	These provide customers with access to an integrated view of customer data and supporting staff with automated and streamlined workflows. The Customer Account Project achieved its Budget savings target of \$17 million. ³²
<i>Webcapture</i>	This provides an audit log of all customer online transactions.

³¹ The IRAS project was the State Category Winner for the Community Service and/or Development Project category.

³² The ANAO Project Management Audit Report No.28 of 2006–07 noted (p. 84) that a Centrelink Benefits Realisation Report on the Customer Account project had reported that it had realised savings of \$26.6 million.

<i>Service Improvement</i>	<i>Description</i>
<i>A dedicated archive and culling engine and online document recording</i>	These enable better access to historical customer information.
<i>An improved capability to rapidly deploy new services and support flexible service delivery.</i>	An example of this is the 'Drought Bus'. Drought Buses travel around the worst drought affected areas in rural New South Wales, Victoria, Western Australia, South Australia, Queensland and the Murray-Darling Basin to let rural communities know about the services the Australian Government is providing.
<i>Office Locator Tool</i>	To assist members of the public to access DHS services, an office locator tool has also been provided for all DHS agency outlets (that is including Centrelink outlets). This is accessed from the DHS Web site (Centrelink offices can also be accessed from the Centrelink Web site).

Source: ANAO analysis of Centrelink records on Refresh.

2.9 While Centrelink has made substantial progress in introducing the capability for online delivery of services, it should be noted that 'purchasing' agencies may elect, in some circumstances, to deliver services on a face-to-face basis (that is, online services may not always be considered appropriate for policy reasons).

2.10 For instance, after assuming policy responsibility from FaCS for income support for job seekers in 2004, DEWR, in the context of the Government's *Welfare to Work* 2005 Budget initiative, chose to require Newstart and Youth Allowance customers on a fortnightly lodgement cycle to continue to lodge their payment continuation application forms (SU19s) at Centrelink offices in person—rather than to provide the option for online lodgement. It did this on the basis that it was more likely to achieve a positive employment outcome. However, by the time DEWR reached this decision, Centrelink had, at the request of FaCS when it had the relevant policy responsibility, already undertaken considerable work under Refresh³³ on possible self-service arrangements for these customers, including assurance mechanisms for the lodgement of SU19s by Newstart and Youth Allowance customers.

2.11 Table 2.4 sets out the key online services work that is planned for completion before the end of Refresh in 2008.

³³ Refresh project 1.5 – Participation Contact Arrangements. The Closure Report for this project stated that the project had been rescoped and closed because of changes required to support tools for the network to successfully meet the *Welfare to Work* agenda.

Table 2.4

Online Services work planned for completion before the end of Refresh in 2008

<i>Work planned</i>	<i>Description</i>
<i>Further work (through Refresh 1.7) on the foundation portal.</i>	One of the major planned deliverables is the development and implementation of 'virtual' portals to reduce the cost of providing portals in the future. 'Virtual' portals enable several portals to be hosted off the one application, in contrast to the current portals that have separate portal environments.
<i>Further work (through Refresh 9.2) on Centrelink's distributed services architecture (DSA) online environment.</i>	The DSA is Centrelink's 'blueprint' for planning, developing, deploying and using new middleware (that is non-mainframe) hardware and software by Centrelink programmers and development staff. The DSA reflects Centrelink's adoption of Java 2 Platform Enterprise Edition (J2EE) standards for its online services. An updated strategy or 'road map' to rationalise the number of application development standards in use is also being finalised.
<i>Further work (through Refresh 7.1) on Centrelink's J2EE application development environment (ADE).</i>	<p>This includes work on:</p> <ul style="list-style-type: none"> the Software Configuration Management component of the ADE, which provides the capability for developers, testing groups and release management to manage changes to applications and generate testing environments for given change releases before they are deployed to production; Centrelink's applications test management tools; a dedicated performance and stress testing environment for new applications; and Centrelink's software configuration and management tool, the 'Centrelink Repository'.

Source: 2007–08 outyear deliverables for Refresh projects 1.7, 7.1 and 9.2.

Doing business with the Government is made easier and less costly for organisations in the public, private and community sectors – Outcome 4

2.12 Centrelink provides a number of online services to businesses and community organisations³⁴ (third party organisations) and these are gradually being increased. These include:

- confirmation services, where organisations can determine a customer's eligibility for their concessions or services;
- a direct billing service ('Centrepay') where customers can choose to have their bills paid direct from their income security payments and paid directly to the organisation; and
- bookings of interpreters/translators for Centrelink customers and some external organisations with an existing business arrangement with Centrelink.

2.13 Child care providers can also download forms from the Centrelink website.³⁵ Other services are being planned.

2.14 Centrelink established a number of projects to put in place the infrastructure that would make it easier for organisations in the public, private and community sectors to access its services.

2.15 In 2007–08, Centrelink is planning to deliver a portal for third party organisations, an improved third party mailbox for the receipt of information from Centrelink and improved bulk file and record processing capabilities.³⁶ Centrelink now has the capability to enable third party organisations to electronically confirm a Centrelink or DVA customer's entitlement to receive concessions or various services. The capability has also been developed for authorised third party organisations to get income statements direct from

³⁴ <<http://www.centrelink.gov.au/internet/internet.nsf/businesses/index.atm#online>> (as at 1 July 2007).

³⁵ Steps to examine the opportunities for improved online services pre-dated Refresh. For example, in February 2003 a scoping study was prepared, as part of a Centrelink internally-funded project – *Child Care Services Online* – into the feasibility of providing online service delivery of Child Care Benefit (PRN 999).

³⁶ Through Refresh 1.3 – Third Party Electronic Interaction (formerly 'Business Online Services'). There is a wide range of interactions that Centrelink has with third-part organisations. These include such things as claims processing (eg, where a tertiary institution lodges a Youth Allowance claim for a student), confirmation of a customer's entitlement to a concession, notification of information such as earnings and processing of deductions of payments to organisation. Only authorised users are able to access information and safeguards of customer privacy are provided.

Centrelink online so that the customer does not have to visit the Centrelink office.

2.16 Centrelink has developed the necessary security arrangements to protect privacy and provide secure access to these services. This includes allowing an authorised user (representative of external organisation) to access Centrelink business services using their Australian Taxation Office (ATO) issued certificate as a credential. This is an example of 'Federated Authentication' in that the user is directed to the ATO Business Portal to authenticate, and is then redirected back to Centrelink where s(he) is then logged in. Using this approach allows any credential supported by the ATO to be supported by Centrelink. This work is now being expanded, in the context of the Department of Industry, Tourism and Resources' (DITR) 'VANGuard' 2006–07 Budget initiative, to provide a general Business to Government services capability, including authentication using digital certificates. In particular, DITR wishes to move the existing ATO Federated Business Authentication capability from the ATO (with ATO's agreement), and expand it to include additional certificate types.

Refresh 1.11 Organisational Identities

2.17 At the start of Refresh, Centrelink established a project—Refresh 1.11 Organisational Identities—to determine an optimal architecture to support the identification of external organisations and the information that is held about them. The Project Management Plan for Refresh 1.11 stated that there would be benefits and savings for Centrelink in having consistently and clearly articulated requirements for managing Centrelink's third party relationships for both government-to-business and government-to-government services.³⁷

2.18 The Refresh 1.11 project produced an analysis paper that noted that:

- there was no one single set of reliable data about external organisations—information about external organisations was stored across multiple technical platforms³⁸ (each with their own security access and each storing different data on the organisations) and this raised data integrity problems;

³⁷ *Organisational Identities - 1.3.2 Refresh Online Initiative Sub Program – Program Management Plan* (Version 1, 3 February 2004), p. 10.

³⁸ These platforms include Centrepay, Customer Confirmation, Electronic Employer Relations, Service Finder, Trust and Companies and Community Connect.

- organisation-centric views of business lines were difficult to construct—it was not possible for Centrelink staff easily to determine how many business lines Centrelink had with a single organisation; and
- a number of different identifiers for organisations were used in Centrelink systems.³⁹

2.19 The paper recommended that ABNs, which had the advantage of being a whole-of-government reference number, be used to identify organisations.

Refresh 1.13 Org Central

2.20 The work of Refresh 1.11 was continued by Refresh 1.13 Org Central. This project had two parts:⁴⁰

- (a) to mandate the use of ABNs in Centrelink, so allowing the automatic aggregation of information relating to each external organisation's dealings with Centrelink; and
- (b) to build a centralised data store—Org Central—and services to link legacy data stores of information about external organisations.

2.21 The Org Central data store, in conjunction with Refresh 7.5 Security Management for External Users, aimed also to provide for the registration of individuals (or 'third party agents') who may be acting on behalf of one or more organisations. Where a person is acting on behalf of more than one organisation (for example, accountants), Org Central would be able to recognise the particular organisation or organisations for which the third party agent was acting during a single session (that is, that person would not need to have separate logons and separate sessions for the work they did for each organisation, so increasing their productivity).

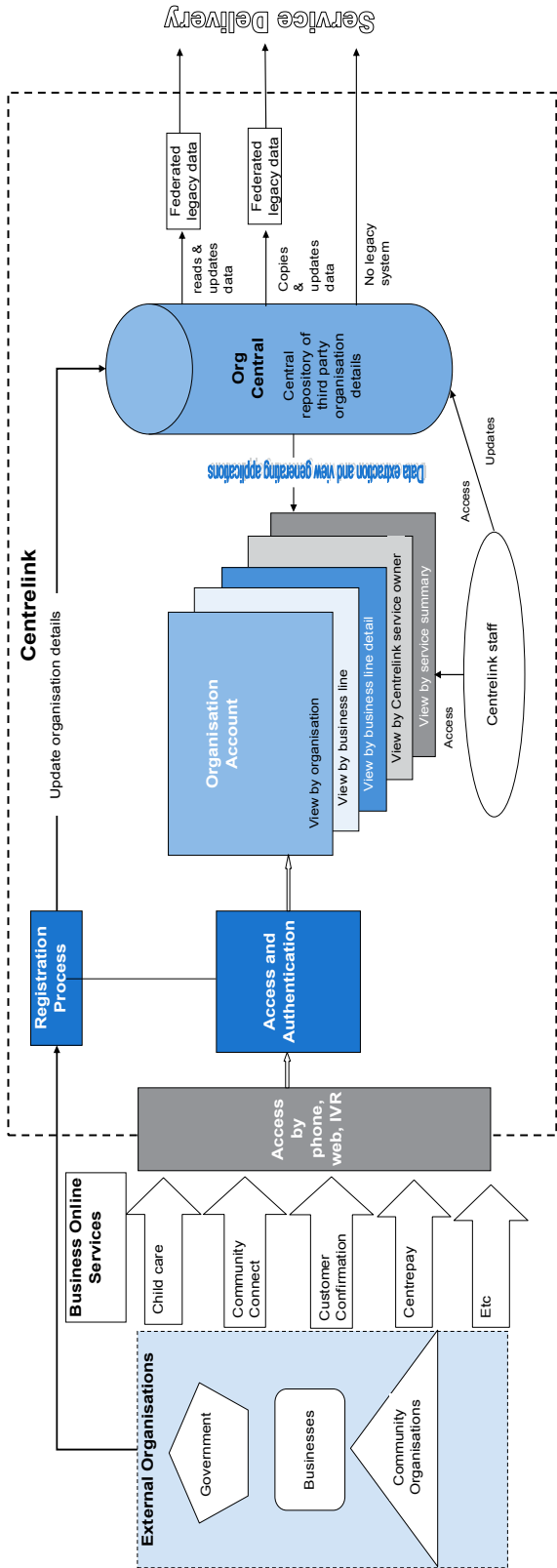
2.22 A diagrammatic representation of how the Org Central database was expected to integrate into Centrelink's third party online services is at Figure 2.1.

³⁹ *Organisation Identities - 1.3.2 Refresh Online Initiative Sub-Program - Analysis Paper* (26 March 2004), p. 12.

⁴⁰ *Refresh 1.13 Org Central – Business Case* (Version 1, 25 May 2004), p. 9.

Figure 2.1

Model of external organisations' online interaction with Centrelink showing the role of OrgCentral



Source: Adapted from a Centrelink diagram.⁴¹

⁴¹ Organisation Identities - 1.3.2 Refresh Online Initiative Sub-Program - Analysis Paper (26 March 2004), p. 13.

2.23 An interim version of the Org Central database, as an extension of the ISIS database, was completed for release in June 2006 (after many slippages in delivery dates). However, this release did not take place because of technical problems⁴² in extracting and displaying the data in Org Central (essentially the data extraction and view generating applications that are set out in Figure 2.1). As a result, the project was closed, and it was decided that further progress would be conditional on resolution of the technical problems and there being sufficient demand for online services from third party organisations.⁴³ This latter condition suggests that the Org Central database was being developed by Centrelink without a clear understanding of the likely take-up by third party organisations of it at that time and hence the priority that its development should have been accorded.

2.24 The technical issues that led to the termination of the Org Central project had not been resolved as at 30 June 2007 and a revised strategy on business organisations is being developed as part of other projects.⁴⁴ This issue is discussed further at paragraph 3.18.

Data exchange with banks

2.25 After a number of delays, Centrelink conducted a trial with the Commonwealth Bank of Australia (CBA) in 2007 to identify undisclosed and under-disclosed bank accounts held by Centrelink customers with the CBA. This involves the CBA extracting relevant information for Centrelink customers with accounts with the CBA. Following the trial, the arrangement with the CBA is expected to be implemented in December 2007.⁴⁵

2.26 Centrelink has also been exploring with other banks their possible interest in having a similar exchange of information on the basis that this would reduce the administrative burdens they face in regard to verification checks for fraud and compliance purposes. However, no other arrangements are under development at this stage.

⁴² These related to the inability of Centrelink's existing 3270 screens to support the full range of Org Central functionality that was required. This, in turn, was based on problems with the architectural design of Org Central, which was designed to extract and display the information in the database as a single 'service', rather than as a series of separate 'services'. The Org Central database had been built and tested with 5 business streams where several browser screens were built to interact with it and the services produced. However, this did not extend to Centrelink's 11 other business streams.

⁴³ Recommendation to the June 2006 meeting of the Org Central Project Steering Committee.

⁴⁴ Refresh 1.3 – Third Party Electronic Interaction is responsible for the development of the Business to Business portal and the associated strategy; and 7.5 – External Security provides the technical capacity for the registration of third party agents or nominees (Change Request of 25 June 2007).

⁴⁵ Report to the Oversight Committee, July 2007, Item 5.

Provide an infrastructure that can be used by other government agencies – Outcome 5

2.27 One of the most obvious indications that Refresh has provided infrastructure that can be used by other government agencies is the release of the DHS portal and authentication hub, enabling the single sign-on for customers already registered with DHS agencies (see Table 2.2). This single sign-on facility has the potential to be extended to other agencies and ultimately become a single sign-on to all government services.⁴⁶

2.28 Centrelink is also in a position to support portals for other agencies. One of these that has been delivered is a portal for FaCSIA's National Emergency Call Centre (delivered in July 2007). Other agencies are expected to make similar requests. To make it easier and less costly to develop and implement new portals, Centrelink is undertaking work in 2007–08 on 'virtual' portals.⁴⁷

2.29 Centrelink's development of its capabilities in areas such as data warehousing and authentication and security programmes have the potential to be used to advise other agencies in developing their own capabilities in these areas under the coordination arrangements established by the Australian Government Information Management Office (AGIMO).

2.30 Systems and standards developed through Refresh are also available to be used by other agencies. For instance, Centrelink, in one of its projects,⁴⁸ developed Web application standards to guide and assist staff in the creation of content and services on the Web and as a repository of standard objects to be used in developing Web-delivered content. Centrelink is currently updating and improving its Portal Development guides, documents and references.

Stability and sustainability of Centrelink's IT infrastructure

2.31 The Refresh commitments to the Government⁴⁹ that relate to improvement in Centrelink's IT infrastructure are commitments five and eleven. The ANAO's findings on Centrelink's commitments to the

⁴⁶ Through Refresh 1.3 – Third Party Electronic Interaction.

⁴⁷ This is made possible by a feature of the *Websphere* product being used by Centrelink. Work on the portals in 2007–08 is being undertaken through Refresh 1.7 – Foundation Portal.

⁴⁸ Refresh 1.9 – Common Look and Feel.

⁴⁹ See Table 1.1 on p. 29 which sets out all 12 commitments for Refresh made by Centrelink in the context of the 2003–04 Budget process.

Government on the stability and sustainability of its IT infrastructure are summarised in Table 2.5 below:

Table 2.5

Summary of performance on stability and sustainability of Centrelink's IT infrastructure

Commitment to Government	Centrelink Performance
<p>Enable Centrelink to build solutions outside of its core systems, and so permit faster and cheaper development of new initiatives where the complexity is not too great. (Commitment 5)</p>	<p>Centrelink has established a more flexible data network architecture, improved its hardware platforms to support middleware environments, established its J2EE-based midrange platform (and commenced migration of legacy systems to that platform), implemented tools that will improve the consistency, reliability and ease of development and maintenance of new applications and improved internal and external security.</p> <p>However, while critical capability has been delivered, full implementation of this new infrastructure is expected to extend beyond 2007–08. Centrelink's future focus will be on how best to use the new infrastructure to enhance its customer service and operational effectiveness.</p>
<p>Remove the risk of a significant failure occurring in Centrelink's core systems and the need to replace this technology in the next five years at a cost of over one billion dollars. (Commitment 11)</p>	<p>Centrelink has increased data network capacity to support growing online business requirements and seasonal peaks, tuned its M204 mainframe environment and implemented better systems monitoring tools.</p> <p>These steps, coupled with the redevelopment of its midrange platform and improved system development and testing arrangements, mean that there is a substantially reduced risk of significant failure in Centrelink's core systems.</p>

2.32 The current outcome statement for Centrelink's IT infrastructure (what it calls its 'foundation infrastructure') is:

Reduce the risk of service compromise or failure due to ageing of existing systems – Outcome 2.⁵⁰

⁵⁰ Prior to the 2005 Mid-term Review, the objectives of the infrastructure services initiatives were:

*Rationalise existing technology and reduce IT costs; and
Reduce the risk of systems failure.*

Reduce the risk of service compromise or failure due to ageing of existing systems – Outcome 2

2.33 Centrelink identified that the key objective of the Refresh infrastructure related initiatives was to reduce the risk of service compromise or failure due to the ageing of existing systems.⁵¹ By consolidating existing development platforms, Centrelink expected cost benefits would be realised by way of reduced system complexities and the subsequent reduced cost of developing new applications. By implementing new tools and processes to monitor systems and detect problems, there would be a reduction in downtime and increased productivity.

2.34 The online service capabilities required by Refresh also needed to be supported by a robust underlying IT infrastructure. Before the commencement of Refresh, a study by the Boston Consulting Group indicated that Centrelink was strong in processing high volume transactions without major breakdowns, but was insufficiently prepared for the future.⁵² Without overhauling its IT systems, in particular its midrange (or non-mainframe systems) environment, Centrelink would have been unable to efficiently provide better access for its customers, as well as improve its services and linkages for government, community groups and business.

2.35 Centrelink's customer-centric service integration approach has resulted in a significant growth in daily ISIS mainframe computing transactions—expressed as millions of instructions per second (MIPS). Over the past twenty years, while the change in customer numbers has been relatively slight, the increase in mainframe usage has been high. The corollary of this increased processing load was weakened mainframe response times.

2.36 Two reports were commissioned by Centrelink in relation to mainframe usage in 2003.⁵³ Both reports highlighted the ongoing cost to Centrelink associated with regular purchasing of additional capacity, and that the (then) current capacity management processes focussed on short term capacity forecasting and provisioning. In response to this, Centrelink initiated a mainframe tuning project (Refresh 5.7), which achieved its objectives in

⁵¹ Oversight Committee, Item 6.2 - Attachment A - Refresh Progress Report (v0.6, Apr 07), p. 3.

⁵² Boston Consulting Group, *Project Stables – Assessment of Centrelink's I&T* (September 2002), p. 24.

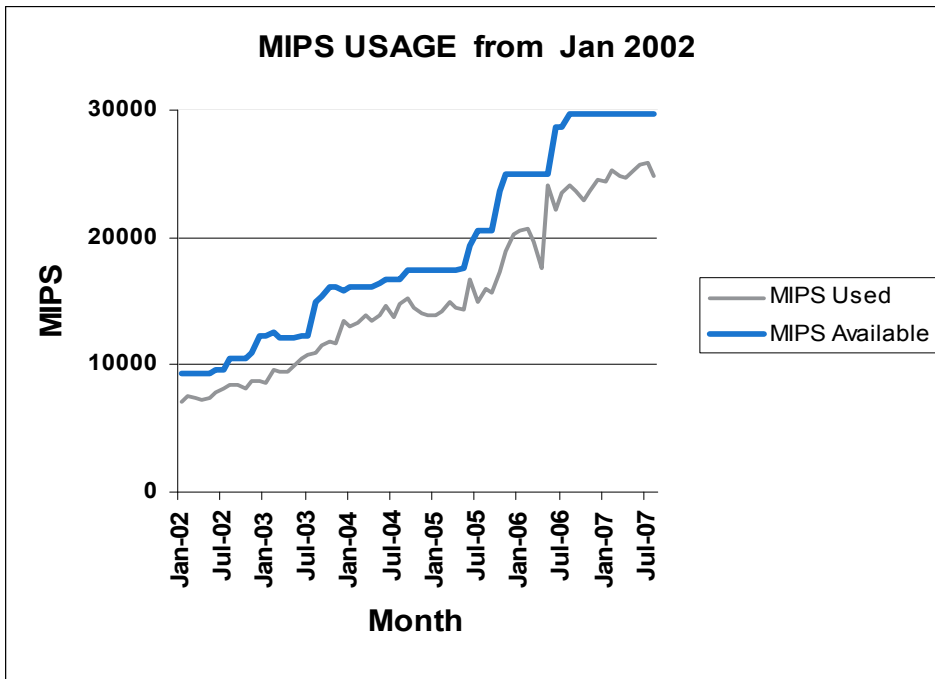
⁵³ These are referred to in the Business Case for Refresh 5.7 (Mainframe Tuning 0405 Business Case (v1.0, 24 December 2004)), pp. 9–10. The first was by entitled *Projecting and Managing Centrelink's Future Mainframe MIPS Requirement* (October 2003) and the second entitled the *ISIS Capacity Provisioning Review* (November 2003).

March 2005, ahead of budget and yielded greater ongoing MIPS savings than initially anticipated.⁵⁴ With the mainframe tuning, additional processing power was freed up, with savings arising from reduced purchases of additional capacity that would otherwise have been required.

2.37 MIPS usage and the increase in available MIPS that has occurred since 2002 and to which Refresh has contributed are shown in Figure 2.2.

Figure 2.2

Centrelink's MIPS usage and availability, January 2002 to August 2007



Source: Centrelink data.

Enhanced data network

2.38 Refresh project deliverables were affected both by the deliverables of other Refresh projects and by non-Refresh projects. Refresh Project 6.1 Enhanced Data Network was reliant on the delivery of a toolset⁵⁵ for modelling additional network capacity requirements by a non-Refresh

⁵⁴ In the Project Proposal Centrelink identified anticipated savings of around \$500 000. The Closure Report estimated that actual savings were around \$1.6 million from reduced lease of processing power.

⁵⁵ *Gateway Progress Review Report for Enhanced Data Network Refresh project 6.1* (December 2005), p. 3.

project—Data Network Design Project (DNRP)—to accurately and cost-effectively estimate data network requirements. Refresh 6.1 experienced significant slippage in its deliverables, mainly due to the delay in DNRP procurement. A Gateway progress review undertaken in December 2005 on Refresh 6.1 indicated that the delay in DNRP delivery meant that Centrelink continually needed to tread a fine line in balancing the risk of acquiring too much capacity against the risk of not providing sufficient capacity.⁵⁶

2.39 Despite this, Centrelink delivered on its key objective to provide infrastructure connectivity in the form of network bandwidth requirement estimation, switches and design environments in support of Refresh initiated projects that require connectivity in the Data Centres, Internet Gateway or Data Network environments.⁵⁷ The agency also achieved savings of about \$650 000 in Internet connectivity.⁵⁸

Redevelopment of the midrange IT environment

2.40 Centrelink has struggled over the period of Refresh with the redevelopment of its midrange IT environment (initially undertaken by the Refresh 5.1 – Multiplatform Environments project). The initial business case and project plans were reported as having a poorly defined scope of intended deliverables, and a lack of total cost of ownership knowledge of Centrelink’s existing midrange platforms.⁵⁹ With the project reported as having being ‘in crisis ... since the beginning’,⁶⁰ Centrelink closed it in August 2005 without completion of its intended deliverables. It was subsequently replaced by Refresh 5.9 – Midrange Compute and Storage Platform.

2.41 Refresh 5.9 was created in response to requirements for the midrange systems of Centrelink to be managed, controlled and standardised as effectively and efficiently as the mature mainframe environment.⁶¹ The project aimed to provide the midrange computing and storage capacity and facilities to meet the demands of other Refresh projects and Centrelink’s needs for the foreseeable future. By centralising formerly distributed ‘file & print’ and messaging distributed services, Refresh 5.9 is expected to reduce the

⁵⁶ *ibid.*

⁵⁷ Refresh 6.1 provided the infrastructure for IRAS (see Table 2.3).

⁵⁸ 6.1 Project Closure Report (v0.3, 13 October 2006), p. 13.

⁵⁹ Brief for Refresh Program Committee, *Project Review and Report – Project 5.1* (10 March 2005), p. 2.

⁶⁰ *Gateway X: Review Report for 5.1 Multiplatform Environments* (7 April 2005), p. 4.

⁶¹ Garry Eldridge and Michael Hickey, *Refresh 5.9 – Midrange Compute and Storage Platform Project – Business Case* (Version 1.1., 16 October 2005), p. 11.

maintenance costs of servers and platforms and allow an increase in capacity at a lower marginal cost. It is also expected to consolidate the test and midrange environments.

2.42 Refresh 5.9 was expected to have been completed by the end of the 2006–07 financial year. However, as at 30 June 2007, the project had still not been completed. While planning and design efforts had been largely completed, the consolidation and ‘virtualisation’ of servers in the data centres and the replacement of the distributed network servers had still to be completed.⁶² Centrelink anticipates that much of this work will be completed by the end of Refresh in June 2008. However, some of it is likely to extend beyond the end of Refresh and there will therefore also be a delay in achieving the planned savings from this consolidation.⁶³

New middleware to support e-business

2.43 Centrelink has invested a lot of effort in establishing a robust and scalable J2EE-based middleware platform for meeting Centrelink’s e-business strategies. This middleware platform enables external organisations to share data between disparate systems and is essential to the seamless interchange of data between purchasing agencies, such as FaCSIA, ATO, DEWR, and DEST, as well as businesses and customers transacting with Centrelink electronically.

2.44 The telephony and Web-based applications that Centrelink had established before Refresh use Centrelink’s Online Framework (COLFrame) middleware, which is based on Forte (a Java runtime and development environment). However, Sun Microsystems announced in October 2003⁶⁴ that, in 2008, it would cease support of Forte. Through Refresh 5.2 – Enhanced Middleware Capability, Centrelink has successfully developed a replacement capability for COLFrame applications (that is the J2EE platform). As at 30 June 2007, Centrelink had successfully migrated several applications onto

⁶² Refresh 5.9 – Midrange Compute and Storage Platform Project – Project Change Request #289 (6 June 2007).

⁶³ The Project Change Request (#289, pp. 6–7) states that ‘this project will continue past the end of 2007/08 financial years, as the implementation teams encounter more environments that require upgrade and conversion’. It also states that, on completion, the project will lower the absolute cost of providing services by at least \$2.8 million pa and will lower the marginal cost of growth in the midrange space by at least 50%.

⁶⁴ Gartner Research, 20 October 2003, <<http://www.gartner.com/resources/118000/118025/118025.pdf>>.

J2EE,⁶⁵ with the remainder expected to be transitioned by mid-2008⁶⁶. Centrelink is therefore well placed to decommission its COLFrame legacy middleware before the planned cut-off of support for Forte, thereby further decreasing the risk of service compromise and failure, reducing system complexity and realising ongoing cost benefits via lower maintenance costs.

Service management tools and processes

2.45 Centrelink has also put in place a number of new IT service management (ITSM) tools and processes to automate and streamline the development of new IT systems. Refresh 7.2 – Service Management Tools and Processes implemented an industry standard Information Technology Infrastructure Library (ITIL).⁶⁷ Stated benefits of the outcomes of Refresh 7.2 were increased service availability; the correct and timely delivery of software; improved planning and delivery of IT capacity for both mainframe and non-mainframe based business services; and the production of trend analysis reports of current growth rates that will enable better planning of new hardware and software purchases.⁶⁸ These were originally expected to be implemented over the three years to 30 June 2006,⁶⁹ but the project was completed in June 2007.

⁶⁵ The status report submitted to the Refresh Oversight Committee in April 2007 (*Item 6.2 - Attachment A - Refresh Progress Report - OC Apr 07 v0.6.doc*) highlighted that the following applications had been successfully migrated from COLFrame to J2EE:

- Advise Non Lodgement of Your Tax Return (Apr 07);
- View Your Appointment with Centrelink (Apr 07);
- View 30% Childcare Tax Rebate (Apr 07);
- View the Money You Owe (Jun 07);
- Completion and deployment of the J2EE-redeveloped SoftPhone application; and
- Activation of the View Payment Information application that was released to production in Mar 07.

⁶⁶ These include:

- Migration of the following customer applications from their existing Forte applications to the J2EE platform:
 - View the money you owe and make a repayment;
 - Update payment destination;
 - View family income payment history; and
 - Update family income estimate (Web channel only); and
- Migration of the following telephony channel (IVR/Web) applications from their existing Forte applications to the J2EE platform:
 - View reporting date (Web channel only);
 - Change PIN (Web & IVR);
 - Update family income estimate (IVR channel only);
 - Payment information application;
 - View student income bank balance and working credit balance applications; and
 - Softphone application.

⁶⁷ See definition in 'Glossary of Terms'.

⁶⁸ ITSM Project Office, *IT Refresh Project 7.2.1 Service Management – Business Case* (2.03, 11 September 2003), p.9.

⁶⁹ *ibid*, p. 6.

2.46 The project experienced difficulties. The report of a December 2006 Gateway Progress Review stated that the scope of Refresh 7.2 had been contracting in terms of the number of ITIL processes it would implement and there was doubt about how much of Centrelink's ITSM strategy the project could actually deliver.⁷⁰ The report indicated that Centrelink's level of maturity in ITSM readiness was less than it needed to be and that there was a growing realisation that the initial aims for ITSM implementation—particularly those that could be accomplished by this project alone—had been too high. It further stated that Centrelink needed to re-assess its immediate and longer-term goals for enterprise-wide ITSM.

2.47 Centrelink has reported to the Oversight Committee that industry standard tools for ITSM have now been introduced. However, the Gateway Close Review for Refresh project 7.2 reported in July 2007 that it had not delivered three aspects of technical capability to the level or degree expected by stakeholders and which would adversely affect the ability of those stakeholders to conduct their business with optimal tool support.⁷¹ These technical capabilities were: Release C—Service Level Management, which supports two key capabilities (automated workflow and reporting); planned interfaces with other projects; and software distribution.

2.48 The Close Review also stated that the project did not provide comprehensive organisational management requirements, including training, associated with the toolset and that therefore operational areas are resourcing implementation of procedural support.

2.49 The Close Review made two 'critical recommendations'—that Centrelink IT resource implementation of Release C and plan and resource the organisational change requirements.⁷² Centrelink advised the ANAO that, because of resource constraints, implementation of Release C is on hold and the organisational change and training is taking longer than expected. Centrelink will need to ensure that these 'critical' recommendations are implemented at the earliest possible time, consistent with Centrelink-wide organisational change requirements.

⁷⁰ *Gateway 02 Progress Review Report for Refresh 7.2 Service Management Tools and Processes* (5 December 2006), p. 2.

⁷¹ *Gateway 3 Review Report for 7.2 – Service Management Processes and Tools* (25 July 2007), pp. 10–11.

⁷² *ibid.*, p. 6.

Centrelink Network Operations Centre

2.50 Prior to Refresh, Centrelink established the Centrelink Network Operations Centre (CNOC) as the central facility for Operations Management in ensuring that the ICT infrastructure is managed efficiently and effectively.⁷³ Refresh 7.6 was initiated to expand upon the capability of the CNOC by implementing the necessary tools required to monitor and correlate service impacting events critical to the seamless functioning of Web-based applications and their underpinning infrastructure. The project suffered several delays, primarily due to outside factors, but subsequently deployed a fault and performance monitoring technology to the majority of Centrelink's ICT service infrastructure; enhanced Centrelink's response to faults and fault prevention through the deployment of monitoring technology; and improved the diversity, consistency, accuracy and delivery options for Availability and Capacity information being captured and analysed by CNOC's tools.⁷⁴

Internal security arrangements

2.51 Centrelink has also taken steps to improve its internal security arrangements. In 2003, the Refresh 7.3 project was established to overhaul Centrelink's internal security framework and infrastructure. Given the large size of this project, and its wide impact on Centrelink's staff, it was managed as the following three sub-projects:

- 7.3.1, Security Access Management System (SAMS) Redevelopment;
- 7.3.2, Security Authentication Services; and
- 7.3.4, Security Logging, Audit and Monitoring (SLAM).

2.52 A fourth sub-project seeking to create a Corporate Services Directory struggled against competing priorities to gain funding approval and it is expected that this deliverable will not be met as part of Refresh.

2.53 The existing SAMS system, designed to control staff access to critical resources, platforms and applications, was developed at a time when accessing sensitive information resources was limited to internal staff operating within a closed secure network using a predefined range of technologies. With the introduction of new technologies into Centrelink's IT infrastructure, the SAMS system has needed an enhanced capability and functionality. It is also expected to contribute towards reducing system complexity. The project has

⁷³ 7.2.2 Project Plan (v0.1, December 2003), p. 6.

⁷⁴ 1151 Refresh 7.6 I&T Infrastructure Operations Capability Closure (July 2006), p. 9.

experienced major slippage since inception (the project was initially expected to be completed in January 2006⁷⁵). However, Centrelink now expects this work to be completed during 2007–08.

2.54 Centrelink currently uses Vasco Digipass 600 tokens to support staff identification and system and building access. This is unsustainable because these tokens are no longer in production and use outdated technology. Centrelink has purchased the remaining 3 500 tokens available. However, the inability to source more tokens, recover failed or lost tokens and the expected increase in card failure rates due to the ageing technology have led to a requirement to develop a replacement alternative. The Security Authentication Services (SAS) sub-project initially had a completion date of December 2006,⁷⁶ when roll-out of the new security cards would commence. However, because of delays, due mainly to a shift in focus from fingerprint scanning to smartcard technology⁷⁷ and the completion of the SAMS work, rollout of the new cards is now expected to commence in 2007–08. Rollout of the cards (not part of Refresh) is expected to take several years.

2.55 Delays have also been experienced with the SLAM sub-project. Once complete (expected by mid–2008), the following internal security measures will have been put in place:

- maintenance of audit trails of registration, authentication, access management and authorisation events;
- monitoring and reporting of compliance with registration, authentication, access management and authorisation policies; and
- corporate audit-trail logs (viewed as a single enterprise-wide event).

2.56 While Centrelink has made considerable progress in establishing the technical infrastructure to support future business needs, albeit after some slippages in initially planned delivery dates, the challenge for Centrelink in the remaining period of Refresh and beyond will be to use this infrastructure in the best possible way to enhance its customer service and operational effectiveness.

⁷⁵ 7.3 - Project Cost and Timetable (11 March 2005), p.1.

⁷⁶ *Security Management for Internal Users (PRN 1156) - Refresh 7.3 Project Management Plan* (Version 2, 19 September 2005), p. 15.

⁷⁷ 7.3 Milestone Review Security Internal Users (March 2006), p. 6.

Business intelligence

2.57 The ANAO’s finding on Centrelink’s performance in addressing Refresh commitment twelve, the commitment to Government to provide substantially improved management information (that is, business intelligence) is summarised in Table 2.6 below.

Table 2.6
Summary of performance on business intelligence

Commitment to Government	Centrelink Performance
Provide improved management information including ready access to accurate information not currently available and the analysis of information available through the use of Internet and telephone channels for policy information and feedback. (Commitment 12)	<p>Centrelink has established an Enterprise Data Warehouse.</p> <p>However, this has taken longer than originally anticipated and it will take a number of years—beyond the end of Refresh—for the warehouse to be populated with data and for the necessary analytical reports to be written. Because of this, it will take some time for ready access to accurate information to be available to all users, including purchaser departments.</p> <p>Centrelink has also developed some useful tools—in particular, the Business Definitions Registry—but further work is needed to ensure that these are being used widely and that their benefits are fully realised.</p>

2.58 As noted at paragraph 1.8 and Table 1.3, following the 2005 Mid-term Review, there is currently no outcome statement for Refresh that relates to business intelligence. Notwithstanding this, one of four current Refresh sub-programmes is Business Intelligence. In addition, at the start of Refresh, the following outcome statement was formulated:

Deliver substantially improved management information.⁷⁸

2.59 Centrelink has defined business intelligence as follows:

Business intelligence is the result of a set of activities aimed at improving business decisions, supported by concepts, techniques and technologies for gathering, storing and interpreting both structured and unstructured data from disparate sources. The data are analysed and transformed into useful information, often in the form of reports or systems that can be interrogated by users. The information is delivered in a timely fashion to the people who need it to provide insight into trends and patterns, to facilitate effective decision-

⁷⁸ See Original Outcome 6 in Table 1.2.

making, to provide a competitive advantage, to encourage more efficient business operations and help achieve business objectives.⁷⁹

2.60 Having good business intelligence is important because it is essential to well-researched policy development and to improving the delivery of programmes and services to the public. The need for improved management information has been identified as a high priority by Centrelink's client agencies, such as FaCSIA and DEWR.⁸⁰

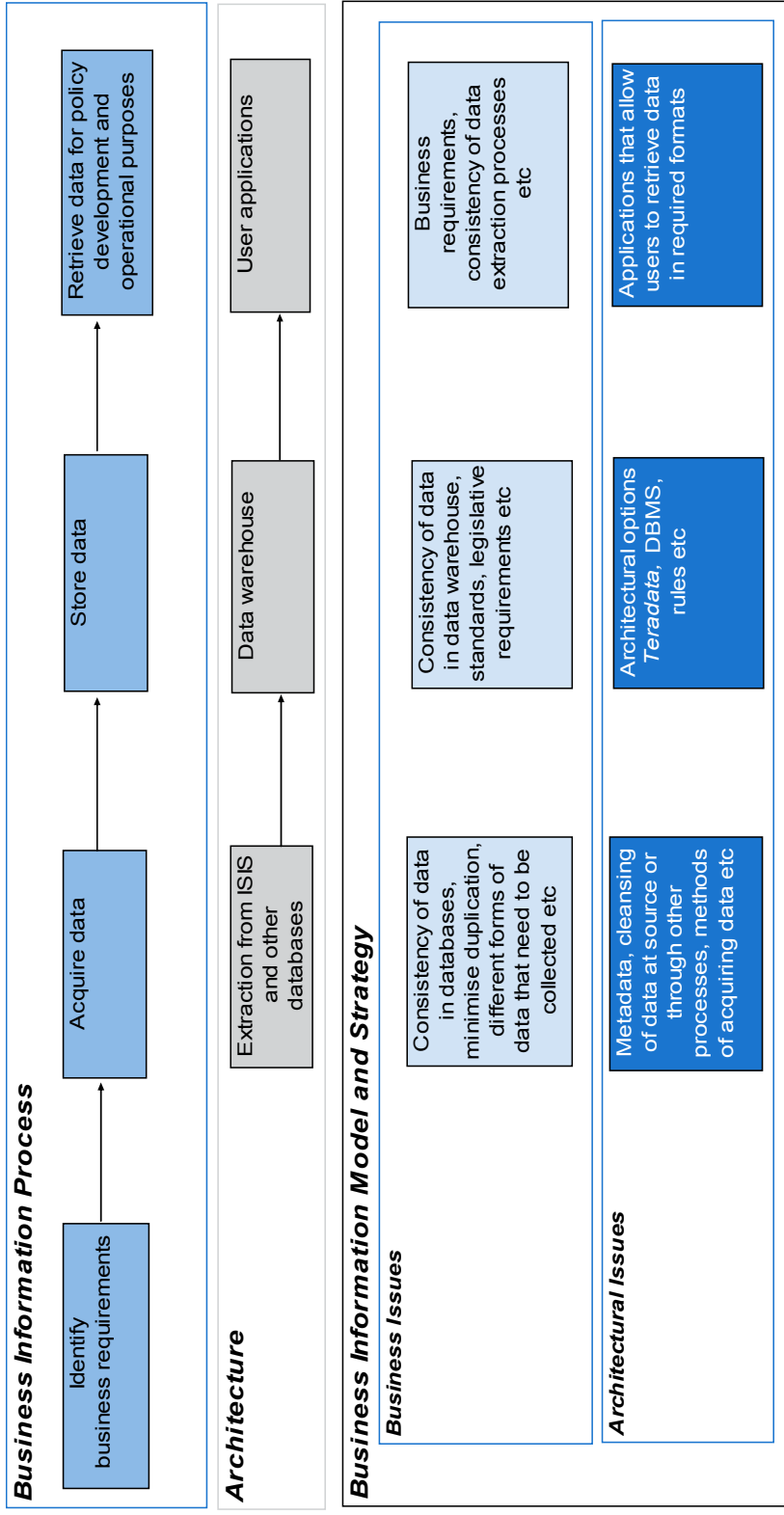
2.61 Providing business intelligence is in theory a simple process. Business information requirements are identified, data are extracted from various systems and are stored and then, from these data, relevant reports are derived for business and policy purposes (see Figure 2.3). However, in reality the process is extremely complex.

⁷⁹ *Refresh Business Intelligence Subprogram Strategy* (Version 1.1.1, 12 October 2004), p. 6. The Strategy took this definition from *Jane Treadwell & Information Governance Board (IGB)* as cited in *Meta Group (2004)*, 'Meta Group's Findings from the Centrelink Business Intelligence Visioning Workshops', p. 5.

⁸⁰ For example, through their business partnership agreements.

Figure 2.3

Simplified business information model



Source: ANAO analysis of Centrelink documents.

2.62 It is axiomatic that an organisation's business information will only be as good as the quality of the stored data and the way in which the data are manipulated and extracted. Centrelink collects data from many sources and has maintained these data in various legacy systems. A problem faced by Centrelink at the start of Refresh was that the data were not always consistent and, in some cases, data had been duplicated. Further, Centrelink's main customer information database—the Income Security Integrated System (ISIS), while efficient at processing and managing large quantities of data, is structured in a way that makes it difficult to easily extract management information. Centrelink therefore needed to develop ways of extracting, standardising, storing and maintaining the data.

2.63 Centrelink experienced major difficulties with the management of the Business Intelligence (BI) sub-programme. The first of these was in formulating a coherent and realistically achievable strategic approach to the implementation of its improved management commitment to the Government.

2.64 Another difficulty that Centrelink project managers experienced was in gaining the necessary business and management stakeholder commitment to the BI projects, particularly in the early phase of Refresh. Several of the projects undertaken in 2003–04 reported poor direction and decision-making on the projects.⁸¹ The level of stakeholder involvement appears to have improved following the restructuring of the sub-programme in 2004–05 and the

⁸¹ For example:

- the Closure Report for Project 8.1 (Enhanced Information Delivery – Market Testing) stated that the BI Technical Reference Group did not provide input to the technical architectural requirements for the project and did not provide ongoing advice and support; there was no business reference group to assess, verify and prioritise the BI information requirements gathered; the BI Strategic Plan and BI Architecture were not available to verify the delivery information requirements and to identify the links with other Refresh dependent projects; there was limited business owner feedback and involvement to confirm the project's scope and direction – and there was no scope definition and no clear project activities on commencement of the project; there was no documented business model or architecture to support the vision of Centrelink being integrated into a value chain and processes of other agencies and community networks – such a model was considered to be a crucial element towards selecting the appropriate BI capabilities; and the BI Steering Committee did not meet for the first time until 11 February 2004, well after the start of the project, and did not provide strategic direction;
- the Gateway Review for Project 8.6 stated that, due to conflicting time constraints, the business owner has not been able to fully engage with the project;
- the Gateway 1 Readiness Review for Project 8.20 stated that Project 8.9 (Federated Repository) stated that the project did not receive an appropriate level of high-level direction; and
- the Project Closure Reports for Project 8.11 (Business Intelligence Services Strategic Plan) and Project 8.12 (Architecture for BI Delivery) and the Gateway 2 Milestone Assessment Report for Project 8.13 (Business Information Model) stated that there had been a lack of timely and appropriate stakeholder involvement and the commitment of stakeholders had been difficult to obtain.

reduction in the number of BI projects to two (see following section). However, there have been some continuing difficulties in this area.⁸²

Business intelligence sub-programme design and strategy

2.65 The design of the BI sub-programme has been changed twice since the start of Refresh. The initial design of the sub-programme is depicted in Figure 2.4. This was based on a regrouping and breaking down into smaller projects of four projects in the Quadrants Study that formed the basis of the Refresh proposal to the Government. The outcomes of an Information Review, then nearing completion, were also to be a driver of the sub-programme.⁸³ This Review noted, among other things, that:

- the need to improve management information in Centrelink had been recognised on several occasions in the past;⁸⁴ and
- there needed to be a sense of urgency to improving the quality of management information in Centrelink.

2.66 This design was changed in a major reshaping of the BI sub-programme in 2004–05, when the eleven projects that then comprised the sub-programme were either closed or rescheduled and replaced with the following two projects to carry forward the work on business intelligence in 2004–05 and beyond:

- Refresh Project 8.20 – Improved Management Information Capability—‘getting the data’; and
- Refresh Project 8.21 – Business Definitions Registry—‘knowing the data and quality’.

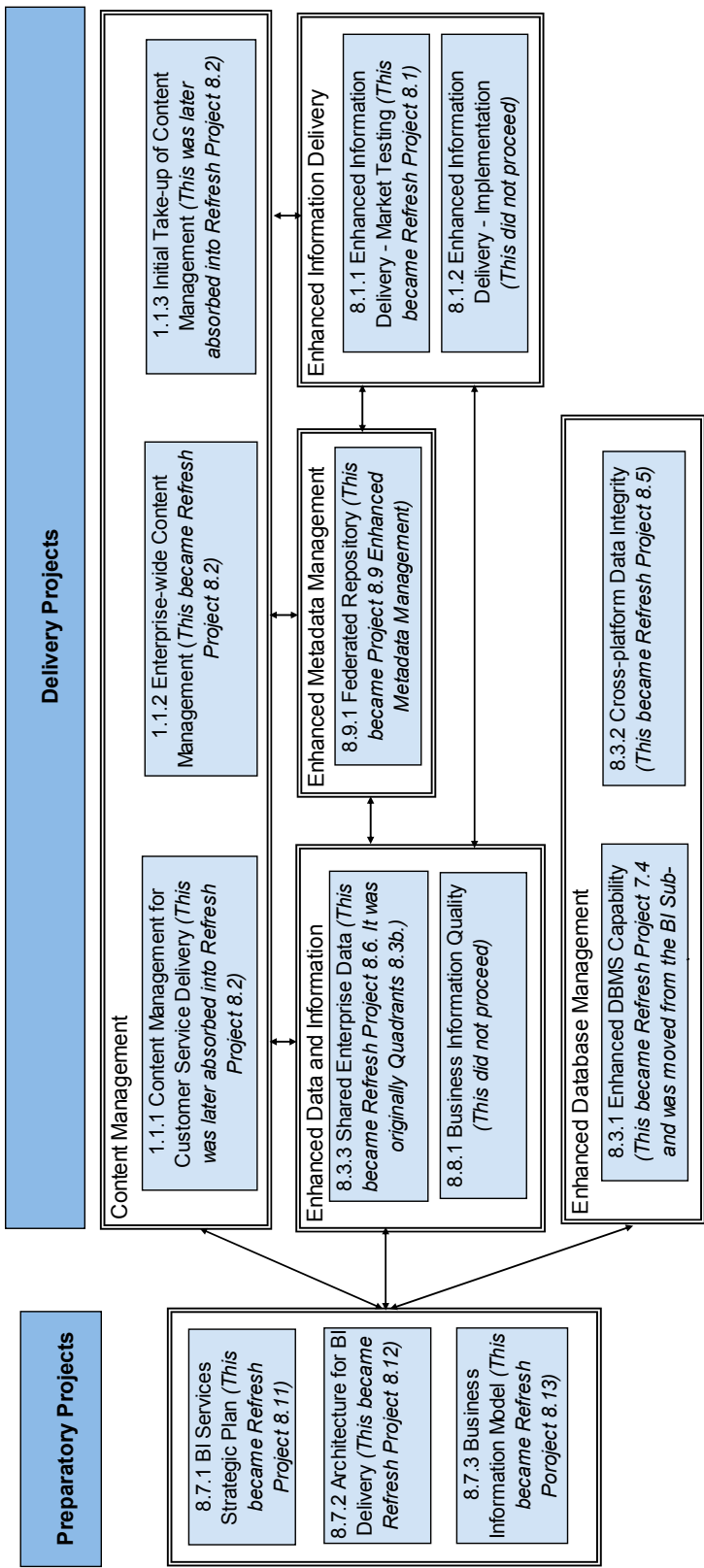
⁸² For example, the Gateway 3 Close Review Report for Project 8.30 (Online Services Content Management), in commenting on the fact that the project did not meet all of its deliverables, stated that there was inadequate management support and guidance for long periods during the course of the project. The independent adviser to the Oversight Committee has also criticised in his reports (for example, January and February 2006) the lack of adequate leadership and management of this sub-programme.

⁸³ September 2003 meeting of the Program Committee, Item 5 Sub Program Planning. The four Quadrants projects were: 8.1 Internal Management Reporting; 8.2 Information Architecture 1; 8.3 Enhance Data Management; and 8.4 External Management Reporting. A draft of the Information Review was circulated for comment in June 2004.

⁸⁴ *Information Services Review: Report and Options for Action* (Update #4, Draft for Comment, June 2003), pp. 5–13. Examples given in the Review report of previous recognition of the need to improve management information included the *DSS IT Strategic Plan 1995–2000* (1995); *Information Strategy 2000–2005* (2000); *Centrelink Knowledge Framework* (June 2002); and several consultancy reports.

Figure 2.4

Initial structure of the Business Intelligence Sub-programme

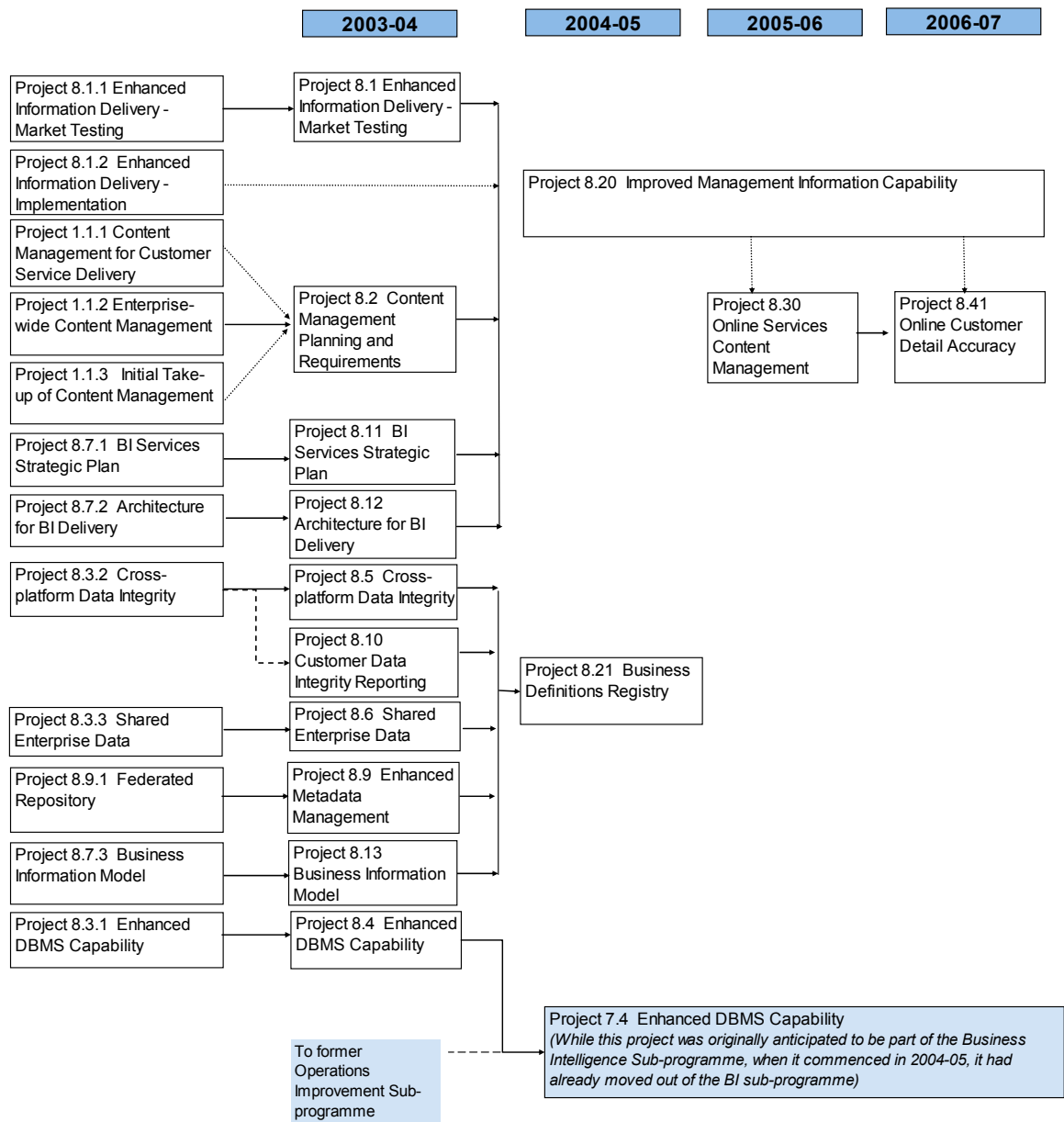


Source: Adapted from Project Proposal for Project 8.7.1 - BI Services Strategic Plan (Version 1)

2.67 The reshaping of the sub-programme is shown at Figure 2.5.

Figure 2.5

Mapping of reshaping of Business Intelligence Sub-programme projects



Source: ANAO analysis of Centrelink records.

2.68 In October 2004, a revised BI Strategy based on this re-shaping of the sub-programme was prepared.⁸⁵ The revised strategy envisaged that there would be an Enterprise Data Warehouse (EDW), which would comprise systems to extract data from ISIS and Centrelink's other databases, a relational database management system (RDBMS) into which the extracted data would be loaded and software to compile and export the relevant reports. Under this Strategy, the RDBMS, needed to support the improved management information capability, would be acquired by mid-2005 and installation of the new software and hardware would begin in January 2005.⁸⁶ In fact, it took until July 2007 for this RDBMS to become available for populating with data.

2.69 The design of the BI sub-programme was changed again when, in December 2005, a further paper on the Information Management Business Strategy was presented to the Oversight Committee.⁸⁷ This paper, prepared by external consultants, recommended that the EDW be implemented as a series of substantial but incremental projects in the context of a programme managing a unified design and infrastructure environment. This contrasted with the so-called 'big bang' approach that had been pursued initially (that is, pursuing different strategies concurrently, with the aim of a single implementation date). This 'big bang' approach was considered by industry experts to be a high risk strategy. The proposed revised approach was further considered and approved by the Oversight Committee following consultations on the approach between the December 2005 and February 2006 meetings.

2.70 As a result of changes to the programme, population of the RDBMS with customer-based information will be undertaken in the following stages,⁸⁸ commencing in July 2007:

- (i) Customer demographic information, customer contact information in ISIS, other customer contact information, Families Maternity and Families Additional;

⁸⁵ BI Sub Program, *Refresh Business Intelligence Subprogram Strategy* (Version 1.1.1., 12 October 2004). This revised strategy was prepared at the request of the Program Committee at its meeting of 13 August 2004 (Agenda Item 6.2). It was submitted to the Program Committee in October 2004 and approved after consultation outside the meeting. The revised strategy was also submitted to the October 2004 meeting of the Oversight Committee, which requested that Committee members also be included as stakeholders in the consultations on the revised Strategy.

⁸⁶ *ibid.*, p. 10.

⁸⁷ Peter A Tracey (ICTPro) and Robert Hillard (Bearing Point), *Information Management Business Strategy* (Version 1.1, 6 December 2005).

⁸⁸ Paper for the Oversight Committee of December 2006, *Item 4.2 – Brief – Information Management Strategic Framework OC Oct 06 Final.lwp*

- (ii) Working age—DEWR extract;⁸⁹
- (iii) Seniors, Carers and Rural;
- (iv) Youth and Students; and
- (v) Other payments and details.

2.71 Corporate information (human resources, financial and process performance) will also be included in the initial stages.⁹⁰ The work to populate the RDBMS with customer-based information will extend some years beyond the end of Refresh in June 2008, and the ANAO considers it important that priority be given to the population of the EDW.

Business Definitions Registry

2.72 In seeking to improve its management information capability, Centrelink has developed a Business Definitions Registry (BDR) that has the potential to improve the accuracy and consistency of Centrelink's data holdings and to realise savings (for example, by reducing the cost of developing or changing systems and by ensuring better integration of Centrelink systems). The BDR, which uses the ISO11179 international standard on IT metadata⁹¹ registries, also has the potential to benefit other agencies by taking a leading role in developing widely accepted metadata definitions in the community and social welfare services areas. Centrelink sought the agreement of the purchasing agencies to the definitions included in the BDR and both DEWR and FaCSIA have access to it.

2.73 Refresh 8.21 (Business Definitions Registry) sought to populate the BDR with a sufficient number of definitions to demonstrate its viability and potential benefit to Centrelink, but recognised that populating it with other data would need to continue beyond the end of the project. A Gateway 3-4: Close/Benefits Realisation Review of Project in November 2006 stated that there was a need for a roadmap or plan for continued population of the BDR (that is beyond the initial data subset of definitions, relating to the Families'

⁸⁹ DEWR is developing its own data warehouse from information provided by Centrelink.

⁹⁰ A useful planned feature of the new EDW is the inclusion of address validation software, which validate and geocode addresses for Centrelink (expected to be fully implemented in December 2007). Geocoding is the recording of a geographical code that will identify the exact geographical location of an address. This will mean, for example, that Centrelink will then be able to provide accurate and timely geographically-based customer reports (for example, by electorate).

⁹¹ See definition of metadata, drawn from Wikipedia, the free encyclopaedia, in the Glossary of Terms. For more information, see <<http://en.wikipedia.org/wiki/Metatada>>.

programmes, input into the BDR during Refresh 8.21) to the point where it had caught up with current Centrelink definitions.⁹²

2.74 Centrelink advised the ANAO that, while the understanding of metadata had improved considerably as a result of the work done through this project, it will take some time for the BDR to be fully populated and for it to be used efficiently and effectively.⁹³ It is encouraging that both DEWR and FaCSIA have access to the BDR. However, if the BDR is to deliver the expected benefits, then it is important that Centrelink give priority to ensuring that the Registry is populated, promoted and used.

Data integrity

2.75 Centrelink has also undertaken work to improve the integrity of its data in response to Audit Report No 29 of 2005–06, *Integrity of Electronic Customer Records*—Centrelink, which recommended that Centrelink take a number of steps to improve the integrity of its electronic records, including improving the integrity of the Centrelink Reference Number (CRN).

2.76 A paper presented to the October 2006 meeting of the IT Refresh Steering Committee⁹⁴ stated that, in February 2006, an Information Management Committee had been established and that this Committee had developed an Information Strategic Overview 2006–09 with five strategic objectives:

- Better Information Governance—refining information accountabilities, structures, business rules, measurement and compliance;
- Better Information Service Management—refining information service level management and service delivery management;
- Better Information Quality—improving data definitions for better understanding, improving data capture and processing for better credibility;
- Better Content Management—improving consistency of management and delivery of content both online and in hard copy, enabling more online content delivery; and

⁹² John Palmer, *03/04 Gateway Review Process Report for Business Definitions Registry: Project 8.21* (November 2006).

⁹³ Interview with Project Manager, Data Services, 6 June 2007.

⁹⁴ See IT Refresh Oversight Committee paper – Centrelink's Information Management Strategic Framework (Agenda Item 4.2, October 2006).

- Better Information Provision—improving the functionality of information delivery methods and platforms and the decision making and analytical skills of the organisation.⁹⁵

2.77 However, this Strategic Overview only provides high level themes and objectives. It does not specify how the Strategy is to be implemented and it remains to be seen how well it will be implemented.

2.78 The Oversight Committee's independent representative, in his report to the Oversight Committee in December 2006, provided the following comments on Data Management which are consistent with the ANAO's findings:

This is the largest remaining investment for Refresh and while substantial progress has been made on the selection of technology platforms and delivery planning the bulk of the benefits are yet to be realised. A staged program of delivery which aims to maximise end user benefit over the next two years has been developed and discussed with stakeholders and this is guiding the work of the program. In parallel with this project (and outside the scope of Refresh) an Information Management Strategy is being developed for Centrelink and this will also be of assistance as the Refresh components are rolled out.

From a scope management viewpoint one of the most substantial challenges is that Refresh was only planned to deliver a portion of the total Data Management scope. The core of the Refresh investment is to put in place the Data Management platform (Enterprise Data Warehouse—EDW) and the tools that will be used in the future to manage the vast amount of Centrelink data for operational, management and planning purposes. While it is hard to estimate accurately Refresh is only planned to deliver around 50% of the total data scope through five data load iterations (these were discussed in the last Refresh Oversight Committee). Strong communication continues to be required with stakeholders to ensure that the focus remains on the most valuable areas and increased number of Centrelink business resources have become actively engaged in the project.

It is also important that the investment that is made through Refresh is able to support the requirements in the long term and is therefore robust and scalable. An example of an area like this is the Business Definitions Registry which maintains the definitions for data items and is therefore a critical component for ensuring information is stored and reported accurately. The early Refresh work in this area while achieving a significant amount towards understanding functional requirements was implemented on a platform that is not suitable for

⁹⁵ See IT Refresh Oversight Committee paper – Centrelink's Information Management Strategic Framework (Agenda Item 4.2, October 2006).

long term deployment so some rework is now required. This work still needs to be resourced and funded.⁹⁶

2.79 In summary, while Centrelink has now developed its EDW and BDR, both of these will only be partly populated by the end of Refresh in June 2008, and considerable work will remain to be done to ensure that the benefits of these tools are fully realised.

Recommendation No.1

2.80 The ANAO recommends that, to realise fully the benefits from the agency's investments in the development of the Enterprise Data Warehouse and the Business Definitions Registry, Centrelink:

- (c) give priority to the population of the Enterprise Data Warehouse; and
- (d) ensure that the Business Definitions Registry is populated, promoted and used.

Centrelink's response: Agree.

Delivery of promised departmental and administered savings

2.81 The ANAO's findings on Centrelink's achievement of savings in departmental and administered expenses in the course of Refresh are detailed in Table 2.7 below.

⁹⁶ John Craven, *Refresh Status Review – December 2006*, p. 2.

Table 2.7

Summary of performance on savings

Commitment to Government	Centrelink Performance
Realise departmental savings by reducing the need for Centrelink to support a diverse range of software and hardware acquired independently for particular initiatives and by introducing efficiencies in Centrelink's customer debt calculation process. (Commitment 2)	Centrelink's departmental appropriations have been reduced by the amount of the originally committed savings—and so the agency will realise the committed budgetary savings. However, based on Centrelink figures to April 2007, the Refresh initiatives themselves will only realise about \$46.2 million in 'business' savings, or 38 per cent, of the originally estimated savings of \$120.9 million in departmental expenses from efficiencies in Centrelink operations.
Provide portfolio savings in administered funds through real time validation of customer circumstances with external parties, in areas of known opportunities that could not be efficiently addressed with current technology. (Commitment 1)	Based on Centrelink figures to April 2007, Centrelink has achieved savings in administered expenses of about \$405.8 million (or about 221 per cent of the originally estimated savings of \$184.0 million in administered expenses).

2.82 Financial savings were one of the key benefits that the Government sought from Refresh. The technology improvements from Refresh are intended to improve processing efficiency and help prevent overpayments to clients. From an appropriations perspective, these savings are of two kinds:

- savings in salary, administrative and capital expenditure, generated from improved processing efficiency. These are referred to as departmental savings, and
- decreases in payment outlays through the reduction of over-payments to recipients. These are referred to as administered savings.⁹⁷

2.83 Table 2.8 summarises the departmental and administered savings targets included in the Refresh Budget measure—\$120.9 million in savings in departmental expenses and \$184.0 million in savings in administered expenses.

⁹⁷ The distinction between administered and departmental savings reflects the structure of appropriations, which distinguish between administered funds and departmental funds. Administered funds are expenses, revenues, assets and liabilities that agencies manage on behalf of the Australian Government. The Age Pension paid by Centrelink is an example of an administered item. Departmental funds are appropriations to agencies for the planning, managing and delivering of outputs. The service delivery activities performed by Centrelink staff are an example of an output. [Source of definitions: Department of Finance, 2003, *Agency Banking Framework – Guidance Manual*, Fourth Edition.]

Table 2.8**Refresh Budget measure projected departmental and administered savings**

	2003–04	2004–05	2005–06	2006–07	2007–08	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Departmental						
Rationalise Servers	1 555.7	3 198.6	4 835.4	4 897.1	4 959.3	19 446.1
Standardise Desktop	-	2 658.4	5 384.9	8 180.6	11 046.0	27 269.9
Sub-total IT departmental savings	1 555.7	5 857.0	10 220.3	13 077.7	16 005.3	46 716.0
Re-engineer compliance	-	-	4 980.5	5 044.2	5 126.5	15 151.2
Automated debt calculation	-	-	10 103.8	10 233.1	10 400.0	30 736.9
Earnings and Customer Confirmation	-	2 494.2	5 051.9	8 561.7	12 159.9	28 267.7
Sub-total business savings	-	2 494.2	20 136.2	23 839.0	27 686.4	74 155.8
Total departmental savings	1 555.7	8 351.2	30 356.5	36 916.7	43 691.7	120 871.8
Administered						
Bank Account Verification	-	-	-	8 900.0	9 200.0	18 100.0
Sole Traders and Partnerships	-	-	16 500.0	16 700.0	17 000.0	50 200.0
Property Value Verification	-	21 100.0	21 800.0	22 600.0	23 700.0	89 200.0
Commonwealth Seniors Health Card Income Verification	-	-	333.0	333.0	333.0	999.0
Telephone Allowance Verification	-	-	1 000.0	1 000.0	1 000.0	3 000.0
Rent Assistance Verification	-	-	7 300.0	7 500.0	7 700.0	22 500.0
Total administered savings	-	21 100.0	46 933.0	57 033.0	58 933.0	183 999.0

Source: ANAO analysis of Centrelink Budget data.

Departmental savings

2.84 Under the funding arrangements for the Refresh Budget measure, Centrelink's departmental funds are reduced annually by the budgeted amount of departmental savings. Over the five years of Refresh, Centrelink's

departmental funding will be reduced by \$120.9 million. This 'harvesting' of departmental savings ensures that Centrelink will meet its departmental savings target, regardless of the actual extent to which Refresh contributes to improved processing efficiency. However, any shortfall in achieving the forecast operational efficiencies from the Refresh initiatives would oblige Centrelink to then find other ways of offsetting the reduction in its departmental funding.

2.85 The original estimates for departmental savings came from two sources:

- departmental information technology savings were derived from estimates prepared by consultants as part of the Project Quadrants exercise undertaken in 2002 (see Table 1.3)⁹⁸ and were based on assumptions about Centrelink's ability to rationalise its servers and standardise desktops; and
- estimates for departmental 'business' savings were based on the assumption that Centrelink staff would make greater use of mainframe or on-line services for their processing work, rather than paper or personal computer based services, so reducing processing costs.

2.86 The departmental savings targets included in the Refresh Budget measure (see Table 2.8) related to a series of initiatives to be undertaken as part of the programme. Table 2.9 sets out the action taken by Centrelink in respect of each of these initiatives.

⁹⁸ Boston Consulting Group (October 2002), *op cit*, p. 12.

Table 2.9

Action taken in respect of Refresh departmental savings initiatives

Initiative	Action
Rationalise servers	According to the draft version of the Benefits Management Plan, ⁹⁹ Refresh Project 5.9 Midrange Storage and Compute Platform will provide some consolidation of infrastructure, but the originally anticipated savings of \$19.5 million will not be realised. Centrelink has identified lessons learned on server infrastructure and server reductions because of SUN Solaris UNIX hardware, Datacentre X86 servers and distributed servers, but to date no financial benefit has been quantified.
Standardise desktops	According to the draft version of the Benefits Management Plan, ¹⁰⁰ the savings expected to be achieved through this initiative were not achievable—because Centrelink already had highly standardised desktops for some time before the commencement of Refresh. This meant that there was little further efficiency to be gained and a \$27.3 million shortfall in departmental savings.
Reengineer compliance	Initially Centrelink considered that near full automation of some data matching processes would be possible, and it was on this basis that savings were originally estimated. Analysis conducted after Refresh had started indicated that this would not occur. Centrelink instead sought ways to change its compliance activities from back-end review activity to up-front programme assurance through the benefits management framework.
Automatic debt calculation	Systems enhancements to increase the use of mainframe calculations for raising debts, instead of reliance on PC based calculators, have been implemented.
Earnings and customer confirmation	<p><i>Rent Assistance:</i> Savings through real-time checking of a customer's circumstances are not yet available.</p> <p>However, through Refresh Project 2.10, Centrelink sought to implement efficiencies around the data match process used to assess claims for rent assistance to realise departmental savings (such as accelerated claimant matching to improve the quality of matches and reduce the workload of customer service advisers). Centrelink has also sought to improve working processes within the network by scanning rent documentation and transferring this electronically to Centres of Excellence.</p> <p><i>Compensation eBusiness:</i></p> <p>Through Refresh Project 2.11 Centrelink customers who are undergoing compensation claims (for example, Worker's Compensation) can claim Centrelink payments (such as Newstart) to facilitate their return to working life. This can then be refunded to Centrelink out of their compensation settlement.</p>

⁹⁹ Centrelink has yet to finalise the Refresh Benefits Management Plan see [insert cross reference to relevant part of the report] (*Draft*) *Refresh Benefits Management Plan* (Version 0.21, 20 November 2006), p. 19.

¹⁰⁰ *ibid.*

Initiative	Action
	Refresh Project 2.11 implemented efficiencies around the processing of claims for Centrelink payments. It realised departmental savings by converting manual and paper-based processes to electronic processes and restructuring associated work processes (for example, by implementing electronic data exchange with third parties, electronic communication using PDF formats or on-line submittable forms).

2.87 Based on figures provided by Centrelink, as at April 2007, the estimated savings in departmental expenses from Refresh initiatives amount to \$46.2 million. These savings are shown at Table 2.10.

Table 2.10

Departmental savings directly delivered by Refresh initiatives as at April 2007

	2003-04 \$'000	2004-05 \$'000	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	Total \$'000
Actual and expected						
Rationalise Servers	-	-	-	-	-	-
Standardise Desktop	-	-	-	-	-	-
Sub-total IT departmental savings	-	-	-	-	-	-
Re-engineer compliance	-	-	5 031.1	5 031.1	5 031.1	15 093.3
Automated debt calculation	-	-	10 021.0	10 021.0	10 021.0	30 063.0
Earnings and Customer Confirmation	-	-	-	-	-	-
Rent scanning	-	-	-	-	180.6	180.6
Compensation e-business	-	-	-	-	854.0	854.0
Sub-total business savings	-	-	15 052.1	15 052.1	16 086.7	46 190.9
Total departmental savings	-	-	15 052.1	15 052.1	16 086.7	46 190.9
Variance from Budget						
Rationalise Servers	(1 555.7)	(3 198.6)	(4 835.4)	(4 897.1)	(4 959.3)	(19 446.1)
Standardise Desktop	-	(2 658.4)	(5 384.9)	(8 180.6)	(11 046.0)	(27 269.9)
Sub-total IT departmental savings	(1 555.7)	(5 857.0)	(10 220.3)	(13 077.7)	(16 005.3)	(46 716.0)
Re-engineer compliance	-	-	50.6	(13.1)	(95.4)	(57.9)
Automated debt calculation	-	-	(82.8)	(212.1)	(379.0)	(673.9)
Earnings and Customer Confirmation	-	(2 494.2)	(5 051.9)	(8 561.7)	(12 159.9)	(28 267.7)
Rent scanning	-	-	-	-	180.6	180.6
Compensation e-business	-	-	-	-	854.0	854.0
Sub-total business savings	-	(2 494.2)	(5 084.1)	(8 786.9)	(11 599.7)	(27 964.9)
Surplus/(Shortfall)	(1 555.7)	(8 351.2)	(15 304.4)	(21 864.6)	(27 605.0)	(74 680.9)

Source: Refresh Programme Office and ANAO analysis.

2.88 The figures reported in Table 2.10 probably under-estimate the savings that the Refresh initiatives will ultimately produce (because it is likely that the Centrelink benefits model does not capture all savings and because some savings will only be realised after 2007–08). For example, the Project Closure

report for Refresh Project 5.7—Mainframe Tuning stated that the project had achieved ongoing savings of approximately \$1.6 million per annum and the Project Closure report for Refresh 6.1 Enhanced Data Network stated that, in contract renegotiations, the project had generated savings of around \$650 000 per annum (from 2006) through market testing of data carriage service providers. Several projects still in progress are also expected to deliver ongoing departmental savings through rationalisation and consolidation of existing technology.¹⁰¹ Despite this, it is clear that Centrelink significantly overestimated the savings in departmental expenses that would be realised from Refresh.

Administered savings committed to in the Refresh Budget measure

2.89 To achieve its committed savings of \$184 million in administered expenses, Centrelink undertook to implement, through Refresh, initiatives that would provide the technology and processes to enable prevention of overpayment. The original estimates of administered savings were based on the assumption that Refresh would allow, not across the board but in some situations, ‘the ‘real time’ validation of customer circumstances with external parties.¹⁰² It was also envisaged that the accuracy of payments would be improved and administered outlays reduced through information exchange and automated data matching with businesses, government departments, banks and others. Centrelink based the majority of its estimates of the administered savings expected to be achieved as a result of implementing Refresh initiatives on the results of a 2001 rolling random survey.¹⁰³

2.90 The administered savings targets included in the Refresh Budget measure (see Table 2.8) related to a series of initiatives to be undertaken as part

¹⁰¹ The Business Case for Refresh 5.9 Midrange Compute and Storage Platform stated that the project was expected to generate savings of \$3.84 million per annum from server and platform consolidation and the Business Case for Refresh 5.10 Legacy Middleware Rationalisation anticipated savings of around \$2 million p.a. (but not within the Refresh timeframe) from a reduction in support costs and in the complexity of middleware.

¹⁰² Budget Paper No 2, 2003–04 Budget, p. 140.

¹⁰³ Centrelink runs the Random Sample Survey (RSS) on behalf of its three major purchasing departments—annually for major payments and every three years for most minor payments. The purchaser departments use the RSS Programme primarily to measure the level of accuracy of outlays on income support payments delivered by Centrelink. Other purposes for which the departments use the RSS Programme are to provide a measure of the effectiveness of compliance and other review activity and to measure the level of Centrelink’s administrative error, against a target agreed between the purchaser departments and Centrelink under the individual agencies’ Business Partnership Agreements. Further information on the RSS can be found in ANAO Report No.43 of 2005–06—*Assuring Centrelink Payment—The Role of the Random Sample Survey Programme*.

of the programme. Table 2.11 sets out the action taken by Centrelink in respect of each of these initiatives.

Table 2.11

Action taken in respect of Refresh administered savings initiatives

Initiative	Action
Bank account verification	<p>As noted at paragraph 2.25, in Refresh project 2.6 – Financial Institution Data Verification, Centrelink has conducted a trial with the CBA to realise administered savings through the cancellation or reduction of Centrelink payments to customers who have not declared, or who have under-declared, their savings and/or investment bank accounts and/or balances.</p> <p>It was also expected that there would be some savings in departmental expenses through efficiencies around the processing of enquiries (by reducing the manual and paper-based processes through implementing an electronic data exchange capability). It was intended to develop an ongoing capability to implement a review and compliance of customer accounts held with financial institutions. However, Centrelink advised that it is currently only intending to implement this with the CBA at this stage (in December 2007).</p>
Sole Traders and Partnerships	<p>Refresh project 2.7, Sole Traders & Partnerships, applied a data match with the ATO to realise administered savings through the cancellation or reduction of Centrelink payments to customers who had declared partnerships to the ATO but not to Centrelink, and thereby were under-declaring their income/assets.</p> <p>The aim of this project was to develop an ongoing capability to implement review and compliance of a customer's income/assets derived from partnerships. It was originally estimated that around 53 000 customers would be impacted. However, the Gateway Review Report on this project indicated that DEWR had requested that their customers be withdrawn from this service profiling and that this had resulted in a reduction of the target to around 27 000.¹⁰⁴</p>
Property Value Verification	<p>Refresh project 2.3, Real Estate Data Verification, is planned to develop an electronic link with the Australian Valuation Office (AVO) in 2007-08. Once implemented, this link will be used to conduct data matching with the AVO, which will be developed as part of this initiative to realise Administered Savings through the cancellation or reduction of Centrelink payments to customers who are no longer eligible to receive payments.</p> <p>Additionally, data matching trials were conducted with Land Titles Offices in the various states and territories to identify customers who had not declared real estate interests to Centrelink. This again was expected to contribute to realising Administered Savings through the cancellation or reduction of Centrelink payments to customers who were no longer eligible to receive payments.</p>

¹⁰⁴ John Palmer, *Gateway 2: Milestone Assessment - Review Report for Sole Traders and Partners – Refresh Project 2.7* (October 2005), p. 3.

Initiative	Action
	However, this did not proceed and alternative avenues were pursued (see paragraph 2.90).
Commonwealth Seniors Health Card Income Verification	Refresh project 2.12, Commonwealth Seniors Health Card (CSHC) Income Verification, was expected to develop electronic links with the ATO to realise administered savings through the cancellation of CSHCs to customers who were no longer eligible to receive payments. This link was expected to identify those customers who had not recently updated, or who had under-declared, the value of their income/assets. It was intended to develop this application to provide an ongoing review and compliance capability to implement review and compliance of eligibility for the CSHC. This did not proceed because it was found not to be feasible and a data matching approach was pursued instead (see Table 2.8).
Telephone Allowance Verification	This did not proceed.
Rent Assistance Verification	This did not proceed as an administrative savings measure, but was pursued as a departmental savings measure.

Source: ANAO analysis.

Actual administered savings

2.91 Table 2.12 shows Centrelink's estimation of the actual administered savings, achieved as at April 2007, and the estimated savings for the remainder of Refresh to the end of 2007–08. These savings estimates have been accepted by the Department of Finance and Administration. It indicates that there will be a surplus in administered savings of \$221 million over the original Budget measure target of \$184 million. The main reason for this was the substantially increased savings from the Property Value Verification savings measure. This reflected the large increase in property values that has occurred over the past few years.

Table 2.12**Refresh Administered Savings (as at April 2007)**

	2003-04 \$'000	2004-05 \$'000	2005-06 \$'000	2006-07 \$'000	2007-08 \$'000	Total \$'000
Actual and expected						
Bank Account Verification	-	-	-	1 018.0	3 389.0	4 407.0
Sole Traders and Partnerships	-	-	1 207.0	4 505.0	25 953.0	31 665.0
Property Value Verification	3 900.0	69 300.0	91 900.0	95 166.0	95 166.0	355 432.0
Commonwealth Seniors Health Card	-	-	-	4 684.0	9 648.0	14 332.0
Income Verification	-	-	-	-	-	-
Telephone Allowance Verification	-	-	-	-	-	-
Rent Assistance Verification	-	-	-	-	-	-
	3 900.0	69 300.0	93 107.0	105 373.0	134 156.0	405 836.0
Variance from Budget						
Bank Account Verification	-	-	-	(7 882.0)	(5 811.0)	(13 693.0)
Sole Traders and Partnerships	-	-	(15 293.0)	(12 195.0)	8 953.0	(18 535.0)
Property Value Verification	3 900.0	48 200.0	70 100.0	72 566.0	71 466.0	266 232.0
Commonwealth Seniors Health Card	-	-	(333.0)	4 351.0	9 315.0	13 333.0
Income Verification	-	-	-	-	-	-
Telephone Allowance Verification	-	-	(1 000.0)	(1 000.0)	(1 000.0)	(3 000.0)
Rent Assistance Verification	-	-	(7 300.0)	(7 500.0)	(7 700.0)	(22 500.0)
Surplus/(Shortfall)	3 900.0	48 200.0	46 174.0	48 340.0	75 223.0	221 837.0

Source: Refresh Programme Office

How Refresh administered savings were achieved

2.92 The administered savings from IT Refresh were originally planned to have been achieved from 'new' ways of doing business. While the administered savings were intended to be generated from the technology improvements implemented through Refresh, they were not achieved in the way initially intended, employing the originally envisaged technology improvements. Table 2.13 shows the changes to the methods and assumptions for achieving savings through Refresh.

Table 2.13

Method of Achieving Administered Savings

Initiative	Description	Basis for savings
Bank Account Verification	Original: Electronic links with banks to verify customers' bank and investment balances up front.	2001 Random Sample Survey indicated a ceiling of \$29.7 million in overpayments likely to be attributable to customers with income from understated/undeclared financial assets in accounts and/or investments with banks' other financial institutions. Centrelink considered 30% of this amount could be identified through electronic links with banks.
	Revised: Obtain data from financial institutions to identify customers with interest income.	The original concept for achieving savings remains unchanged, but Centrelink only has plans to implement this with the CBA at this stage.
	Reason for change: Centrelink has found that financial institutions are at differing stages of readiness to participate in the initiative.	
Property Value Verification	Original: Electronic links to sources of real estate data to verify and update customers' property values up front.	2001 Random Sample Survey indicated a ceiling of \$70.3 million of overpayments likely to be attributable to customers with income from understated/undeclared financial assets in accounts and/or investments with banks' other financial institutions. Centrelink considered 30% of this amount could be identified through electronic links with real estate data sources.
	Revised: Three deliverables were developed. (i) a campaign, in Centrelink and mass media urging customers to update their information. (ii) an automated review of real estate values. (iii) data-matching with State Governments to identify customers who have undeclared real estate assets.	 Savings to be achieved based on customers voluntarily complying. Savings to be achieved based on variations in rates from automated reviews. Savings to be achieved based on variations in rates from data-matching.

Initiative	Description		Basis for savings
	Reason for change: The feasibility of the initiative was re-assessed after the Budget measure was announced. To achieve the required savings, instead of implementing the original concept of electronic links, Centrelink implemented the three initiatives identified above. The substantial increase in savings identified through the data matching reflects the significant increase in property values that has occurred over the past few years.		
Sole Traders and Partnerships	Original	Electronic links with the ATO to detect and verify income from sole trader businesses and partnerships.	2001 Random Sample Survey, on which the original estimate was based, indicated a ceiling of around \$55.0 million of overpayments likely to be attributable to customers with understated /undeclared income from business. Centrelink considered that 30% of this amount could be identified through electronic links with the ATO.
	Revised	Increase number of service profiling reviews to better target sole trader and partnership income of customers.	Instead of being achieved through links with the ATO, savings from this measure will now be achieved through increasing an existing review activity. The projected savings are less than originally estimated.
	Reason for change: Centrelink found that the ATO could not provide any data that could be used directly in assessing customer entitlements, including customers' income from sole trader businesses and partnerships.		
Commonwealth Seniors Health Card (CSHC) Income Verification	Original	Verification of taxable income through electronic links to the ATO.	Expected to result in 4200 cancellations of CSHC, producing telephone allowance savings of \$20 per customer per quarter.
	Revised	Data matching with ATO.	Expected to result in a 2 per cent reduction in CSHC customer population, leading to savings in telephone allowance, seniors concession allowance, PBS and Medicare. (2 per cent reduction to be validated through trial match with ATO)
	Reason for change: Centrelink does not hold tax file numbers for CSHC customers, making the envisaged link with the ATO impracticable; CSHC income test provisions are based on 'adjusted taxable income' rather than on 'taxable income'. However, Centrelink considered data matching with the ATO was feasible to identify CSHCs that should be cancelled, and that this would lead to savings in telephone allowance, seniors concession allowance and from PBS and Medicare.		
Telephone Allowance Verification	Original	Verification of current subscriber status with Telecoms.	Estimated [basis unknown] 5% of telephone allowance customers cancelled.
	Revised	Not considered viable.	

Initiative	Description	Basis for savings
	Reason for change: Further analysis by Centrelink suggested that this initiative would not be cost effective, with costs of matching projected at \$30 million per annum, compared with expected savings of \$1 million per annum.	
Rent assistance verification	Original	Verification of tenancy agreements with Rental Bond Boards.
		2001 Random Sample Survey, on which the original estimate was based, indicated a ceiling of \$26.4 million potential reductions in rent assistance, of which 27 per cent was estimated to be due to incorrectly stated rental circumstances.
	Revised	Not considered viable.
	Reason for change: Rental Bond Boards do not exist in all States/Territories and where they do exist they do not hold information on informal tenancy arrangements. Other measures already introduced by Centrelink (in the 2002–03 and previous Budgets) reduced the ceiling of available savings.	

Source: ANAO analysis

2.93 While Centrelink will exceed its original savings target for administered savings, the table shows that Centrelink was not able to achieve the savings in the way that was originally intended. There was a significant shift from the planned paradigm of utilising technology to *prevent* overpayments and produce process efficiencies to one of further developing *detection and correction* approaches to achieve savings. As noted, most of the savings have arisen from increased property values. Under Refresh, technology was used to determine the property values of Centrelink customers that were likely to be out-of-date, and then electronically comparing them to data held by the AVO and other sources to inform the most appropriate value to be applied. The increases in Centrelink customers' asset values led to reductions in their payments.

2.94 Since that initial realisation of savings, other solutions have been pursued:

- an AVO on-line web service that has a 'Decision Support Facility' to help provide Centrelink staff with a 'reality check' on customer estimates and so reduce the need for valuations; and
- establishment of a Benchmark Servicing Database that:
 - enables automatic market update bulk reviews;

- enables progressive updates of valuations from recently valued properties to mirror localised market rises; and
- limits the risk of incorrect valuations where properties have not been valued for a significant period of time.

2.95 Work is also being done to further improve data sharing between Centrelink and the AVO.

2.96 Centrelink advice to the Refresh Oversight Committee in April 2005 was that:

The original estimates were formulated within a short timeframe and within the [Budget development] environment. Accordingly, only a limited validation of assumptions was carried out for the administered and departmental savings. Rolling random survey results were used to substantiate the majority of the administered saving estimates. Given the circumstances, the original estimates were reasonably well considered, logical and relatively conservative.¹⁰⁵

2.97 While recognising that the savings initiatives were developed in a very short timeframe, and so validation of assumptions was difficult, Centrelink subsequently found that many assumptions on its savings measures were incorrect.

2.98 Centrelink's experience with the development of Refresh savings options underlines the importance of agencies devoting sufficient time and analysis to the feasibility of savings options, since they directly affect the investment decisions of the Government as well as the Budget and forward estimates of expenditure. Given the significant contribution that savings were expected to make to the funding of Refresh, and that they were to be generated from the technological enhancements made possible by Refresh, it would have been desirable for the savings to have been identified as an integral part of the extensive planning process that identified Refresh projects. While the ANAO accepts that there are constraints on what external organisations can be told in the Budget development process, consultation with such organisations on the feasibility of options to improve or streamline services is usually possible as part of ongoing endeavours to improve the efficiency and effectiveness of the delivery of government services. Where savings options cannot be fully

¹⁰⁵ Refresh Savings Initiatives Sub-Program Savings Estimates, April 2005, page 10. (Paper submitted to the April 2005 meeting of the Refresh Oversight Committee)

developed, the necessary preconditions for their achievement should be clearly established.

2.99 This experience highlights the need for Centrelink, in preparing Budget estimates of savings measures, to reasonably establish the feasibility of the savings options and the necessary preconditions for the achievement of the savings, particularly where they involve the cooperation of other Commonwealth agencies, state government agencies, businesses and other organisations.

Conclusion

2.100 Overall, Centrelink has performed well against the Refresh commitments to the Government, particularly in regard to the provision of infrastructure to support online service delivery. However, in some areas, such as Business Intelligence, while the basic infrastructure has been provided, it will take some years beyond the formal conclusion of the Refresh programme to fully implement the commitment.

2.101 Centrelink exceeded the promised level of departmental and administered savings to the Government. However, Refresh did not realise all of the departmental savings that were envisaged from direct increased efficiencies (instead Centrelink's departmental appropriations were reduced and so it had to find savings elsewhere). Similarly, while the administered savings were intended to be generated from the technology improvements implemented through Refresh, they were not achieved in the way initially intended, and are not linked to the originally envisaged technology improvements. Most of the administered savings were achieved through reductions in customer payments as a result of data matching activities that identified increases in Centrelink customers' asset values or changes in their income. The increased asset values resulted from the rapid rise in property values in recent years.

3. Governance arrangements for Refresh

This chapter assesses the efficiency and effectiveness of the governance arrangements that were established for Refresh and how these arrangements have contributed to the achievement of Refresh objectives.

Oversight of Refresh

3.1 To minimise the risk associated with this large programme, the Government:

- established a high-level committee to oversee the programme. Originally known as the 'IT Refresh Steering Committee', it is now called the 'Refresh Oversight Committee' and it includes representatives from PM&C, Finance, the Treasury, the Australian Government Information Management Office (AGIMO), DHS, FaCSIA, DEWR and Centrelink, as well as an external independent adviser;¹⁰⁶
- arranged for Centrelink to provide annual reports on the achievement of savings and project milestones; and
- arranged for a mid-term review of the programme in 2005.

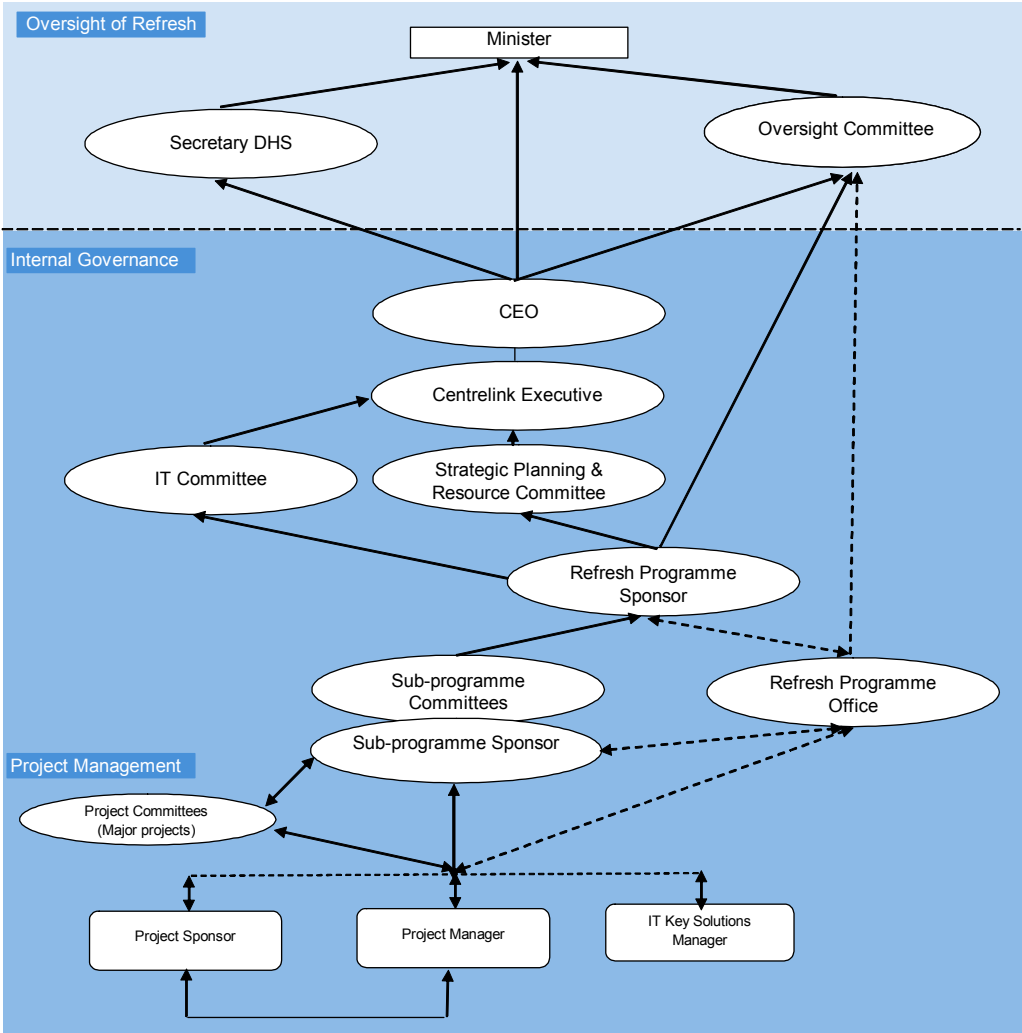
3.2 Both DEWR and FaCSIA are also represented on Centrelink's Client Department Reference Group, which afforded them a further opportunity to provide input into the business requirements to be met from Refresh.

3.3 A diagrammatic representation of the governance arrangements for Refresh is at Figure 3.1.

¹⁰⁶ For convenience, the term Oversight Committee is used in this audit report to include the former IT Refresh Steering Committee. The initial membership of the Oversight Committee (that is, before the Machinery of Government changes in 2004), agreed by the responsible minister (FaCS) and the Minister for Finance and Administration comprised representatives from Centrelink (chair), Families and Community Services (FACS), Finance, PM&C, the National Office of the Information Economy (NOIE) and the Treasury. At its December 2004 meeting, the Committee asked that its terms of reference be revised to reflect its role as an oversight committee. It also asked that its membership be reviewed to include participation from DEWR.

Figure 3.1

Governance arrangements for Refresh



Notes:

1. CEO chairs Oversight Committee. Secretary DHS is also a member of that Committee.
2. Initially, there was also a Programme Committee, aligned with the Refresh Programme Sponsor.
3. The Refresh Programme Office supports the Refresh Programme Sponsor in the overall management of Refresh and provides support to the Oversight Committee.
4. The IT Committee monitors the progress of Refresh, in cooperation with the Strategic Planning and Resource Committee (SPRC). Before the SPRC was established in March 2007, the IT Committee monitored progress in cooperation with the former Investment and Major Projects Committee.

Source: ANAO analysis, adapted from organisational charts prepared by Centrelink.

3.4 As shown in Figure 3.1:

- the Centrelink CEO has a direct responsibility to the Minister for Human Services for the performance of Refresh;
- the Secretary of DHS has an oversight responsibility for Refresh; and
- the Oversight Committee oversees Refresh as part of the Government's risk management arrangements for Refresh.

3.5 The Centrelink CEO and the Secretary of DHS are both members of the Oversight Committee, with the Centrelink CEO chairing the Committee. The Centrelink CEO is now directly accountable to the Minister for Human Services for the performance of Centrelink, but, at the start of Refresh, the CEO was responsible to the (now discontinued) Centrelink Board.¹⁰⁷

3.6 The Secretary of DHS is responsible to the Minister for Human Services for advising the Minister on the performance of agencies within the Human Services portfolio, including Centrelink. Consistent with this role, DHS sponsored the required mid-term review of Refresh in 2005.

Oversight Committee

Terms of reference and key characteristics

3.7 The Oversight Committee's terms of reference¹⁰⁸ state that its role is to oversee the progress of the Refresh Budget decision so that Refresh meets its stated objectives and returns value to the Commonwealth. The key requirements for the Oversight Committee under its terms of reference are set out in Table 3.1 and the key characteristics of the Committee are set out in Table 3.2.

¹⁰⁷ The restructure of Centrelink's governance arrangements flowed from the Uhrig Review of the corporate governance of statutory authorities and office holders (see *Review of Corporate Governance of Statutory Authorities and Office Holders* (June 2003)).

¹⁰⁸ Approved by the then Minister for Human Services on 1 March 2005 and endorsed by the Minister for Finance and Administration on 27 June 2005 (papers for Agenda Item 4.1 of the Oversight Committee's meetings of 26 April 2005 and 23 August 2005).

Table 3.1**Key provisions under the Oversight Committee's terms of reference**

Key provisions are for the Oversight Committee to:	
•	monitor the overall implementation of Refresh and the achievement of the Government's objectives for this major investment in information technology;
•	review and monitor the risks to the implementation of Refresh, including developments in information technology;
•	review and monitor opportunities for the implementation of Refresh to contribute to broader benefits on a whole-of-government level;
•	monitor programme milestones and budgets;
•	monitor the achievement of savings and opportunities for additional savings;
•	report to the Minister for Human Services on the progress of Refresh, including the achievement of outcomes, savings, programme milestones and any emerging opportunities or risks for the Government's investment in Refresh; and
•	make recommendations to the Minister for Human Services in relation to progress on the major elements of Refresh.

Source: ANAO analysis of the Oversight Committee's terms of reference approved by the then Minister for Human Services on 1 March 2005 and endorsed by the Minister for Finance and Administration on 27 June 2005.

3.8 While the Oversight Committee's role is to oversee Centrelink's management of the programme, and it is not a formal advisory or decision-making body, Centrelink has, in practice, involved the Oversight Committee in key strategic decisions affecting the programme and sought its advice on and agreement to them.

3.9 Not all stakeholders in Centrelink's business activities are represented on the Oversight Committee. However, the ANAO notes that capability redevelopment was the core task of Refresh, rather than reflecting all business outcomes. In addition, stakeholder representation on the Oversight Committee was refocussed after the Machinery of Government changes in 2004 to take into account the establishment of DHS and the transfer to DEWR of responsibility for income support to the working age population, thus broadening the guiding interests in Refresh.

Table 3.2

Key characteristics of the Oversight Committee

The key features of the Oversight Committee governance model can be summarised as follows:

- the establishment by the Government of a line of accountability from the Oversight Committee, through the portfolio minister, to the Cabinet for the oversight of the programme;
- although established as an external oversight committee, it has been chaired by the Centrelink Chief Executive Officer, rather than, say, by the Secretary of DHS,¹⁰⁹ which is the portfolio agency with responsibility for the oversight of Centrelink;
- there have been senior-level appointees (at the Secretary, Deputy Secretary and Division Head levels) to the Oversight Committee from the participant agencies.¹¹⁰ This has brought not just a wealth of high level personal experience and status to the Oversight Committee, but also a breadth of view of government with authority to express positions from a portfolio viewpoint;
- central agencies are represented. This has enabled them to monitor the programme without the need to establish other additional mechanisms and helped to maintain a strong focus on Refresh's long-term goals;
- key agencies dependent on Centrelink for service delivery, and with a strong potential interest in using any whole of government technical capability in the future development of alternate service delivery models, are represented;
- those responsible in the Australian Government for the facilitation of ICT coordination across all government activity—with an eye to common systems, improved whole of government productivity and efficiency and improved public and private external access in the future—have also been represented; and
- there is a specialist adviser to the Committee.

Source: ANAO analysis

3.10 The whole-of-government objectives of Refresh—in particular, the objective of enabling the Government to use its existing IT investments to greater effect, so reducing the need to duplicate capabilities and services across different agencies (Refresh commitment to Government No.7)—also need to be

¹⁰⁹ Or, prior to the Machinery of Government changes in October 2004 and the establishment of the Department of Human Services, the Secretary of the then Department of Family and Community Services.

¹¹⁰ The Oversight Committee's initial membership from participant agencies included the Centrelink CEO (chair), the Secretary of the Department of Family and Community Services, the Deputy Secretary of DoFA and representatives of PM&C, the National Office of the Information Economy (NOIE) and the Treasury. After the Machinery of Government changes in October 2004, the Secretary of DHS, the Deputy Secretary of DEWR and the Australian Government Chief Information Officer, AGIMO (replacing the NOIE representative) joined the committee.

considered in the context of the Government's broader objectives for Information and Communications Technology (ICT). Those broader objectives are contained within the recommendations of two relevant reports of the Management Advisory Committee (MAC),¹¹¹ viz, *Australian Government Use of Information and Communication Technology*¹¹² and *Connecting Government*¹¹³. Both of these reports were contemporaneous with the Government's decision to invest in Refresh. Together these reports present a rationale for an increasing 'whole-of-government' approach to the development of policy, more effective and efficient programme delivery, and improved public access across all agencies.

Effectiveness of the Oversight Committee

Role of the Oversight Committee

3.11 In evaluating the effectiveness of the Oversight Committee, the audit team conducted interviews with representatives of the Oversight Committee.¹¹⁴ These representatives indicated that the role of the Oversight Committee has evolved over the first four years of Refresh.

3.12 Committee representatives said that, at the outset of Refresh in 2003, consideration was given to what the role of the Oversight Committee should be, such as in terms of what issues it should be examining. At this time also, Centrelink's focus was primarily on planning future Refresh strategies and architectures and Refresh was heavily technically oriented, rather than business oriented. Because of this technical focus, and because Oversight Committee members were not chosen for their technical expertise, there was a perception among some representatives interviewed that the Oversight

¹¹¹ The Management Advisory Committee (MAC) is a forum of Secretaries and Agency Heads established under the *Public Service Act 1999* to advise the Australian Government on matters relating to the management of the Australian Public Service (APS). In addressing its broad advisory function the Committee considers a number of management issues where analysis, discussion, and the identification of better practice approaches would inform and promote improvements in public administration. (See <http://www.apsc.gov.au/mac/index.html>)

¹¹² Management Advisory Committee, *Australian Government Use of Information and Communication Technology: A New Governance and Investment Framework* (MAC Report 2, 2002).

¹¹³ Management Advisory Committee, *Connecting Government: Whole of Government Responses to Australia's Priority Challenges* (MAC Report 4, 2004).

¹¹⁴ Those interviewed were the Chief Information Officer of Centrelink; a Deputy Secretary of DEWR; a Deputy Secretary of FaCSIA; a representative of PM&C; the Australian Government Chief Information Officer, AGIMO; the General Manager of the Social Policy Division of the Treasury; the A/g Assistant Secretary of the Delivery Strategy Branch DHS; the Division Manager of the Social Welfare Division in Finance; and Mr John Craven of Teranovate (who was the Specialist Adviser to the Committee). Some Oversight Committee members also involved other officers with an involvement with the Refresh Committee in the discussions.

Committee was not adding a lot of value at this time (except to the extent that they could help maintain a focus on meeting Centrelink's commitments to the Government for Refresh).

3.13 These Oversight Committee representatives also stated that it was only as Refresh evolved, and technical capacity started to come on line, that they felt that they were able to make a significant contribution. The application of some of the functionality¹¹⁵ has had, and will continue to have, major business implications for their agencies and for government services more generally.

3.14 The Oversight Committee representatives interviewed said that the Oversight Committee's role was sharpened considerably following the Machinery of Government changes in 2004. At this time:

- the Department of Human Services (DHS) was established;
- Centrelink was moved out of the then Families and Community Services Portfolio into the Finance and Administration Portfolio under DHS;¹¹⁶
- DEWR assumed responsibility for labour market social security programmes and was brought on to the Oversight Committee; and
- the newly appointed Minister for Human Services asked that a higher priority be given to the early delivery of online services.

3.15 A number of representatives advised the ANAO that they also believed that there had been a further improvement in the management of Refresh in 2005 after the Centrelink Board of Management was discontinued and Centrelink became an agency managed by its CEO.¹¹⁷

3.16 Some representatives noted that the quality of reporting to the Oversight Committee had initially been unsatisfactory but commented favourably on the improvement in Centrelink's reporting of critical issues over time.

3.17 In particular, in 2005, the Oversight Committee agreed to a 'Decision Rights Protocol' to govern how critical issues were reported to the Committee. The Decision Rights Protocol (see Figure 3.2) provided guidance to both Centrelink and the Oversight Committee on what issues required notification

¹¹⁵ Such as online capacity, common systems such as customer authentication and, most importantly, the data warehouse.

¹¹⁶ Subsequently, in January 2007, Human Services became a Cabinet portfolio in its own right.

¹¹⁷ See footnote 107.

to, or the agreement of, the Oversight Committee, on scope or priority changes, sourcing changes, budget changes, technology direction and risk management issues:

Figure 3.2

Oversight Committee Decision Rights Protocol

Whole of Government	III. Requires Oversight Committee Notification	I. Requires Oversight Committee Agreement
Extent of impact	IV. No Oversight Committee Role	II. Requires Oversight Committee Notification
Centrelink only	Within normal margins	Extensive change to resources, directions & priorities
	Extent of change	

Source: Papers presented to the Oversight Committee, April and August 2005.

3.18 While this framework provided a good model for the Oversight Committee, it still allowed some interpretation of what the Committee should or should not be notified about. An example of this is the fact that the Oversight Committee was not notified of the significant technical problems with Refresh Project 1.13 Org Central, which led to the project’s inability to implement a database of third-party organisations and the resultant early closure of the project¹¹⁸. The programme schedules simply indicated that the project had been completed and indeed gave the impression that the project had achieved its objectives by indicating that the phase 2 data population had been completed.

3.19 Centrelink advised the ANAO that the Oversight Committee was not advised of the technical problems with Refresh Project 1.13 as, in the agency’s view, the issues were not critical to the achievement of Refresh outcomes and did not require extensive change to resources, directions and priorities, and so did not require referral to the Oversight Committee. However, considerable resources had been expended on the project, further resources needed to be outlaid to overcome the technical issues and there is still no indication of when the issue will be resolved. Consistent with the risk management framework for Refresh, the ANAO considers that it would have been appropriate for the

¹¹⁸ See paragraphs 2.21 and 2.23.

Oversight Committee to have at least been made aware of the problems with this project.

3.20 Oversight Committee representatives interviewed by the ANAO considered that exception reporting of critical issues was fundamental to the role and authority of the Committee, establishing an appropriate balance between its role as determined by the Government and the operational expertise and responsibilities of Centrelink. The exception reporting has enabled the Oversight Committee to remain strategic, while at the same time exercising its authority of oversight. It also enabled Centrelink to ensure that generally, where appropriate, the Oversight Committee's views were considered in reaching decisions on critical issues.

3.21 Some representatives considered that Centrelink management actively sought to utilise the status and responsibility of the Oversight Committee as a partner in the process as leverage to gain commitment within Centrelink to Refresh outcomes.

3.22 While not expressly identified as a responsibility, the policy or 'purchasing' agencies represented—DEWR and FaCSIA—naturally identified their own business interests in discussions at the Oversight Committee, consistent with the Government's broader intentions of building new and broader technical and administrative capacity across government.

3.23 One of the main business interests of the policy agencies represented on the Oversight Committee was the delivery of improved business intelligence, and it is only in the past year that significant developments have been made in this regard with the acquisition of an enterprise data warehouse (although this will still take a number of years to complete, see the Business Intelligence section in Chapter 2 at paragraphs 2.57 to 2.80).

Communication

3.24 Consistent with the above assessment of the Oversight Committee's role and responsibilities, communication and reporting reflected the slow initial pace of development, but improved as processes and reporting disciplines were established and refined. As noted earlier, the establishment of the exception reporting 'Decision Rights Protocol' in 2005 has helped to better clarify the relationship between the Oversight Committee, Centrelink's own Refresh programme management and all other 'providers' in Centrelink charged with the responsibility of delivering against the Refresh commitments to Government.

3.25 The success of communication and reporting was also dependent on identification of the key areas to be reported upon. These included progress reports by sub-programme, project assessments with respect to timelines for development and risk analysis. These quickly matured into regular and consistent formats, thus providing the Oversight Committee with continuity of settled baseline reporting at its bi-monthly meetings. Indeed it seems that the preparation of these reports, one of which on assessment of programme risk was prepared as a 'traffic light' (red, amber, green) report, became a discipline in itself by which the progress of projects was monitored.¹¹⁹

3.26 The Committee's bi-monthly meetings have been well attended, with a regular and consistent agenda that is focussed on the key strategic milestones (viz, project timelines, project costs, risk management profiles, savings targets, internal procedures on performance and reporting, identification of outcomes and dependencies, earned value reports, revised governance accountabilities framework and project scheduling) and shifting priorities. These are all critical to the good governance of a complex programme of this nature, especially with respect to large ICT development.

3.27 The Oversight Committee representatives interviewed said that the effectiveness of the Oversight Committee had been assisted greatly by Centrelink's practice of distributing papers for its meetings about a week before each meeting and in arranging one-to-one pre-meeting briefings on the papers. These briefings were appreciated, given that much of the early attention was paid to technical matters and the papers were often of necessity very detailed.

3.28 In terms of substance, therefore, the audit has found that, after the initial planning phase and initial uncertainty which surrounded the development of Refresh, reporting and communication between the Oversight Committee and Centrelink became well established and purposeful in that most Oversight Committee members expressed confidence in the appropriateness and veracity of the information being provided.

¹¹⁹ The traffic light reports indicated the assessed effectiveness of the risk treatment. According to the July 2004 risk report, where the traffic light was 'red', the treatment of the risk was assessed to be not working and management action was required; where it was 'amber', controls were being implemented and were either working or, if not working as intended, no action was required at that time; and, where it was 'green', the treatment controls were working and no management action was required. These reports enabled Oversight Committee members quickly to identify key risk areas. The project progress reports were similarly labelled to identify risks associated with individual projects. The traffic light reports were initially introduced in November 2003 and refined after that.

Reporting to Government

3.29 With respect to reporting, the key responsibility of the Oversight Committee, under its terms of reference, was to:

- report to the Minister for Human Services on the progress of Refresh, including the achievement of outcomes, savings, programme milestones and any emerging opportunities or risks for the Government's investment in Refresh; and
- make recommendations to the Minister for Human Services in relation to progress on the major elements of Refresh.¹²⁰

3.30 Centrelink reported annually to the Expenditure Review Committee of Cabinet on progress in implementing Refresh commitments in the context of the annual portfolio Budget submissions and, in the 2005–06 Budget, a report was provided on the findings of the Mid-term Review of Refresh.

Role of the Specialist Adviser

3.31 Critical to the relationship between the Oversight Committee and Centrelink and to the quality of communication was the role of the Specialist Adviser, which evolved considerably over the time of Refresh. While this role changed over time, throughout the period to date the Specialist Adviser's task is primarily to advise the Oversight Committee independently on every matter critical to its charter.

3.32 Initially, the Adviser indicated to the ANAO that the role involved interpreting much of the technical content of Oversight Committee meeting agenda papers. In this way the Adviser was able to:

- place matters in context, consistent with the Oversight Committee's role and responsibilities;
- make independent assessments of the reports being submitted;
- suggest alternatives and remedial measures; and
- provide a respected bridge between Centrelink and the Committee.

3.33 The Specialist Adviser considered that, in this way, the unique characteristics of the Oversight Committee were recognised, but with members being kept well informed.

¹²⁰ See Table 3.1.

3.34 In this early stage also the Specialist Adviser stated that his advice was strategic, allowing the Oversight Committee to consider agendas at the appropriate level for its terms of reference. In this context, he was able to provide advice to Centrelink on the governance arrangements and this helped to develop a professional and trusted relationship with Centrelink's Refresh Programme Office.

3.35 In a later stage, after the Machinery of Government changes of 2004 and 2005, the Specialist Adviser stated that, in addition to advising the Oversight Committee, he had sought to help Centrelink and its CEO provide a greater sense of direction to Refresh. This had helped to refocus Refresh when the perception, reinforced by the mid-term Review in 2005 (see paragraphs 3.39 to 3.45), was that Centrelink was experiencing some difficulty in meeting all of Refresh's promised deliverables.

3.36 The Specialist Adviser stated that, with Refresh now considered to be largely 'on track', his role is currently focused squarely on the original intention of providing independent technical advice to Oversight Committee members (as distinct from also providing advice to Centrelink).

3.37 The Specialist Adviser's role was reviewed by the Oversight Committee at its July 2006 meeting when the Committee agreed that the Specialist Adviser provided a level of assurance to the Committee, that the role should remain one of governance and that ensuring that the management information project (Refresh Project 8.20) remained on track was a priority¹²¹.

3.38 The ANAO considers that the role played by the Specialist Adviser has been effective. Given the complexity of the large number of projects, comprising a mix of business applications and technical infrastructure, the expertise and continuity provided was accepted by other Oversight Committee members as being valuable to the Committee. That advice, by concentrating the Committee's attention on the factors most critical to the programme, proved to be appropriate given the nature of the Committee's membership, the Committee's terms of reference and the relationship with Centrelink, which also seems to have benefited from the oversight provided. The Specialist Adviser also provided the Oversight Committee members with a degree of assurance on the technical issues being considered by the Committee.

¹²¹ Minutes of the Oversight Committee meeting of 6 July 2006, p. 2.

Mid-term Review

3.39 In 2005 DHS commissioned two reports on the progress of Refresh. These were:

- a review—or Health Check—of Refresh, conducted in March 2005;¹²² and
- the Mid-term Review of the IT Refresh Programme, which reported in October 2005.¹²³

3.40 The Health Check found, among other things, that:

- savings had been achieved;¹²⁴
- the part of the programme that was to deliver a new industrial strength, multi-channel architecture for the future was running six to nine months behind its original schedule;
- unless corrective action were taken, it was likely that the programme as a whole would be behind schedule and over budget; and
- urgent action was required on the programme system. Budgets for each project—and the programme as a whole—were determined annually rather than for the multi-year duration of the projects. This meant that the overall costs of the projects were not being effectively controlled and monitored.

3.41 The Mid-term Review found, among other things, that Refresh deliverables were making a very positive contribution to three outcomes, but only a partial contribution to three other outcomes (see Table 3.3).

¹²² Accenture, *IT Refresh Review – Health Check* (2 March 2005).

¹²³ Booz, Allen, Hamilton, *Review of the Centrelink IT 'Refresh' Program* (Canberra, 26 October 2005).

¹²⁴ The Health Check report noted that departmental savings had been offset against Centrelink's revenue stream, but that the review did not assess the level of departmental savings that had actually been achieved.

Table 3.3**Mid-term Review findings on the contributions of the Refresh deliverables**

Objectives with Positive Contribution	Objectives with Partial Contribution
Provision of a platform for improved online delivery of services. (Outcome 1)	Ensuring that doing business with the government is made easier and less costly for organisations in the public, private and community sectors. (Outcome 4)
Reduce the risk of service compromise or failure due to ageing of existing systems. (Outcome 2)	Provide an infrastructure that can be used by other government agencies. (Outcome 5)
Deliver savings in administered costs. (Outcome 3)	Deliver savings in departmental costs. (Outcome 3)

Source: Booz, Allen, Hamilton, *Review of the Centrelink IT 'Refresh' Program* (Canberra, 26 October 2005), p. 1.

3.42 The Mid-term Review also found that, based on plans that were current at that time, it expected that there would be an under-run in capital spending of around \$17 million and an over-run in expenses of around \$25 million. It provided options to address the projected budget shortfall.

3.43 The Mid-term Review noted that the Refresh budget had largely been limited to the technical implementation of new capabilities. Because the costs of deploying these capabilities both internally and externally had not been included in the Refresh budget (costs associated with training, communication and change management were additional), the full cost of Refresh was greater than the budgets revealed.

3.44 The Review anticipated that around 72 per cent of the targeted departmental savings, or around 80 per cent of the targeted annual figures, would be realised from Refresh initiatives by 2008. This included \$9 million per annum of new savings identified to cover shortfalls in the initial target areas. The Review identified areas in which further savings might be achieved.

3.45 The ANAO considers that the Mid-term Review, by highlighting areas where Refresh was only partially contributing to the achievement of outcomes at that time, provided a necessary catalyst for Centrelink to refocus the programme and so lead to improved outcomes over its remaining period. It also enabled the Oversight Committee to better identify areas where it needed to provide stronger oversight of Refresh.

Internal governance

3.46 Refresh, by its nature, required its own complex programme management framework, but the work also had to be undertaken by existing business units in parallel with management of ongoing programmes, and without disruption of critical service delivery.

3.47 As with the oversight arrangements, the first four years of Refresh saw considerable internal administrative change. This was influenced by the changes to Centrelink's organisational arrangements following the Uhrig reforms referred to earlier and by Centrelink's experience with the Refresh programme management model.

3.48 Apart from the CEO's chairmanship and other Centrelink representation on the Oversight Committee, the integration of Refresh into the existing governance and organisational structure of Centrelink was through the:

- establishment of sub-programmes. Each sub-programme had its own business 'sponsor', at General Manager level, who was accountable to the Centrelink IT Committee, the recently created Strategic Planning and Resource Committee¹²⁵ and to the Executive for its performance;
- Refresh Programme Committee (later discontinued); and
- Refresh Programme Office (RPO).

Refresh programme structure

3.49 Centrelink's decision to establish Refresh as a separate programme, rather than manage it as a series of projects, was in itself a recognition that Refresh needed to be separately managed and accounted for within Centrelink.

3.50 Initially Centrelink split the Refresh projects up into eight sub-programmes,¹²⁶ but these were later reduced to the following four sub-programmes:¹²⁷

- Online Services Sub-programme;

¹²⁵ Before Centrelink changed its management committee structure in March 2007, the sponsor reported to the former Investment and Major Projects Committee (IMPC).

¹²⁶ These were: Savings Initiatives; Online Services; Getting It Right (also known as ISIS Upgrade); Infrastructure Services; Operations Improvement; Business Intelligence; Security Services; and Enterprise Framework.

¹²⁷ *ibid.*, p. 13.

- Foundation Infrastructure Sub-programme;
- Business Intelligence Sub-programme; and
- Savings Initiatives Sub-programme.

3.51 Centrelink initially established a steering committee for each sub-programme and a sub-programme sponsor (at the General Manager level). Sub-programme steering committees still exist for the Foundation Infrastructure, Business Intelligence and Savings sub-programmes, but the only Online Services Sub-programme sub-committee has been for the Customer Portal. Some individual projects were of sufficient scope and complexity to warrant a separate steering committee.¹²⁸

Refresh Programme Committee and sub-programme committees

3.52 Centrelink initially established a Refresh Programme Committee to oversee the programme internally. This Committee was in addition to its two high level committees which then had responsibility for overseeing major projects and IT developments—the Investment and Major Projects Committee and the IT Committee. The Refresh Programme Committee was discontinued in 2005 because it was considered that a disproportionate amount of effort was being spent in supporting the committees. The Programme Committee’s responsibilities were taken over by the IT Committee to remove duplication and overlap in the operation of both committees.

3.53 The decision to cease the Refresh Programme Committee differed from the recommendation of the March 2005 Health Check Review of Refresh. This Review considered that four layers of management (project steering committee, sub-programme steering committee, Refresh Programme Committee and Oversight Committee) were too many, but it recommended that the Programme Committee should remain, and be chaired by the Centrelink CEO, and that the project steering committees should be consolidated into logical, mutually dependent or inter-related groups.¹²⁹

¹²⁸ As at 24 November 2006, there were 10 project sub-committees (JET (essentially for online services projects), Middleware – Refresh Project 5.2, Infrastructure – Refresh Project 5.9, ITSM – Refresh Project 7.2, Foundation Portal Services – Refresh Project 1.7, Smartcard / Security Access Management – Refresh Project 7.3, Speaker Verification - Refresh Project 7.5, Security Logging and Monitoring – Refresh Project 7.3, Refresh Project 7.1, Refresh Project 5.10/5.11).

¹²⁹ IT Refresh Health Check, op cit, p. 15. Although not explicitly stated, the implication was that these committees would be a modification of the sub-programme committees.

3.54 The ANAO notes that Centrelink's abolition of the Programme Committee reduced the layers of management, while leaving in place sub-programme committees and steering committees for the larger projects.

3.55 There were criticisms made in some reviews of individual projects that they would have benefited from greater management oversight, particularly where no steering committee or one with inadequate representation was in place.¹³⁰ Also, in the initial stages of Refresh, in particular, many projects reported difficulties in attracting active business management involvement. Many Gateway Review reports drew attention to the need for better oversight of projects.¹³¹ They suggested that there was a need for stronger business ownership and that several projects would have benefited had project steering committees been in place or had they not fallen into abeyance.

3.56 Centrelink has sought to address these concerns and there has been an improvement in stakeholder engagement during the course of Refresh. The appointment of sub-programme sponsors and, in some cases, project sponsors has helped to increase the level of stakeholder engagement. The independent Specialist Adviser reported to the Oversight Committee in April 2006 that the appointment and active engagement of sub-programme sponsors had had a substantial positive impact on the governance of Refresh.¹³²

Refresh Programme Office

3.57 Refresh is managed through the Refresh Programme Office (RPO).¹³³ The RPO was set up at the commencement of the programme in mid-2003. Its

¹³⁰ For example, a Gateway Review of Refresh Project 1.13 – Org Central in February 2006 stated that the project had suffered, to some extent, from the lack of business input to its direction at the strategic level, due to the lack of a representative steering committee. The 2004 Readiness Review of this project also drew attention to the inadequacy of the steering mechanism for the project.

¹³¹ For example:

- a Gateway 2 Review of Refresh Project 4.1 Business Process Management in August 2005 stated that a prototype for a Business Services Catalogue that had been developed by the project did not meet the project sponsor's requirements because the project had not had clear business ownership nor business direction;
- a Gateway Review of Refresh Project 5.1 Multiplatform Environments April 2005 was strongly critical of the level of oversight of the project, which was subsequently closed because of its unsatisfactory performance; and
- a Gateway 2 Review of Refresh Project 5.9 reported that there were serious stakeholder issues that needed to be addressed if the project was to be successful.

¹³² Report to Oversight Committee (Refresh Health Check Implementation Review – April 2006) by the Specialist Adviser, 23 April 2006, p. 2.

¹³³ PMBoK notes that a programme management office (PMO) is 'an organisational unit to centralise and coordinate the management of projects under its domain' and that the projects administered by a PMO may 'not be related other than by being managed together' (p. 17).

role is broadly to ensure that Refresh achieves its objectives, in collaboration with key stakeholders.¹³⁴ The RPO's role is addressed in more detail in Chapter 4 of this report.

3.58 Funding for the RPO was not included in the Refresh Budget estimates, but its cost (estimated by Centrelink to be about \$17 million—or 6 per cent of the total programme budget—over the five years of Refresh) was met from within the Budget allocations by adjusting project budgets. The decision to establish the RPO recognised the importance of having strong oversight of Refresh, but, as Centrelink already had a Projects Office at that time, it arguably involved some duplication of project coordination resources. However, because of the RPO's good track record in project management, the former Centrelink Projects Office was eventually amalgamated with the RPO in 2006 with the aim of ensuring that the lessons learnt in the management of the Refresh programme are incorporated into revised project management arrangements for the agency.

Conclusion

3.59 Overall, there has been effective oversight and management of Refresh. As with any governance model, its success is dependent on management direction and disciplines imposed internally. The accountability requirements of the Oversight Committee assisted here, but also important were the existing requirements of the Centrelink Project Management Framework and other accountability mechanisms such as those under the *Financial Management and Accountability Act 1997*.

3.60 The management of Refresh was facilitated by good governance practices, including clearly defined roles and responsibilities for each level and separation between business interests in project management and IT delivery. The governance model was sufficiently prescriptive and detailed to allow the RPO to manage its programme and project coordination and reporting responsibilities with authority.

¹³⁴ *Refresh Program – Program Management Plan (PgMP)* (Version 3.0, 12 November 2006), p. 10.

4. Refresh programme management

This chapter examines the programme management arrangements that Centrelink has put in place for Refresh, and how these arrangements have contributed to the achievement of Refresh objectives.

Programme management

4.1 A programme, in the discipline of project management, is ‘a group of related projects managed in a coordinated way to obtain benefits and control not available from managing them individually’. Programme management is ‘the centralised, coordinated management of a group of projects to achieve the programme’s strategic objectives and benefits’.¹³⁵

4.2 Good programme management is essential to ensure that quality outcomes are achieved from a group of projects, and to mitigate risks from projects. The United Kingdom’s Office of Government Commerce (OGC) identified a number of reasons why projects might fail, including:

- Design and definition failures where the scope of the programme and/or project(s) are not clearly defined and required outcomes and/or outputs are not described with sufficient clarity.
- Decision making failures due to inadequate level of sponsorship and commitment to the programme and/or project(s), ie, there is no person in authority able to resolve issues.
- Programme and project discipline failures, including weak arrangements for managing risks and inability to manage change in requirements.
- Supplier management failures, including lack of understanding of supplier commercial imperatives, poor contractual set-up and management.
- People management, including disconnect between the programme and/or project(s) and stakeholders, lack of ownership, cultural issues.¹³⁶

4.3 Good programme management does not mean projects will succeed in every case, but it increases the likelihood that they will by addressing the kinds

¹³⁵ Project Management Institute, 2004, A Guide to the Project Management Body of Knowledge (PMBok Guide) Third Edition, Project Management Institute, Newtown Square, Philadelphia, p. 16.

¹³⁶ Office of Government Commerce, 2006, Portfolio, Programme and Project Management Maturity Model (P3M3) Version 1, p. 4.

of risks identified by the OGC. Importantly, programme management permits an organisation to detect and stop failing projects, or work out alternative approaches to achieve the desired results.

4.4 One view that can validly be taken of a programme is that it is a ‘super’ project: a rolling up of a number of smaller components. In this regard, the success of programme management can be judged by examining the application of project management better practice, from lifecycle and functional standpoints. The audit examined the efficiency and effectiveness of Centrelink’s management of the projects comprising Refresh from both lifecycle and functional standpoints.

4.5 As well as considering the programme management of Centrelink from lifecycle and functional perspectives, it is necessary to recognise that a programme is more than merely the sum of its parts; it needs to be focussed on achieving broader objectives and benefits. In contrast to the specific, time limited activity that is a project, a programme lasts as long as is necessary to achieve the objectives and produce the benefits that the government and other stakeholders require of it.

4.6 A programme requires a level of organisational project management that is more sophisticated than merely managing individual projects—more sophisticated management processes (building on solid project level management, in part), more integration with organisational management and stronger senior management leadership and support. For Centrelink, it means not merely focussing on the management of the time and funding parameters of the Budget measure for Refresh, but also looking to the outcomes and benefits to the organisation and its customers that Refresh is intended to deliver.

4.7 Such a large, transformation programme as Refresh would be a major challenge for any agency. Programme management needs to be tailored to the particular programme and so the specific findings on individual Refresh issues and projects may not be as relevant as the broad approach that Centrelink has adopted. The audit therefore also considered innovative aspects of the programme management approach developed for Refresh, identifying successes and also some issues from which lessons may be learned. These lessons may be of broader interest and significance to other agencies implementing multi-year IT improvement programmes.

4.8 The projects that have comprised Refresh are listed at Appendix 2 under the four current sub-programmes.

Lifecycle approach to managing Refresh projects

4.9 Refresh projects are managed by the RPO in accordance with the Centrelink Project Management Framework (CPMF), which is based on a lifecycle view of projects. Table 4.1 shows the phases in the CPMF, as they apply to Refresh projects.

Table 4.1

Centrelink project lifecycle, applied to Refresh projects

Phase	Description
Define—feasibility	This 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. As they are IT projects, Refresh projects need a <i>Business Requirements</i> document. The RPO coordinates project business cases.
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 document that is used and updated throughout a project. The RPO monitors the development and maintenance of PMPs.
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> . The project director is required to produce monthly project reports for the RPO.
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 <i>Post Implementation Review</i> , which is preferably carried out one to six months after project closure.

Source: The Centrelink Project Management Framework (CPMF) and ANAO analysis.

4.10 The documents in italics in Table 4.1 are considered key project documents and, under the CPMF, must be completed. While project closure reports are generally prepared for Refresh projects, the ANAO found several instances where closure reports or post-implementation reviews were not

prepared.¹³⁷ In some of these cases, Centrelink advised that Closure Reports were not undertaken because they were closed prior to their scheduled completion dates and were not deemed to be necessary. Centrelink has also advised that it has taken a decision that it will now conduct programme-level post-implementation reviews at the conclusion of the Refresh programme instead of individual project closure reports, as shown in the CPMF. Since project closure reports help to ensure that outstanding matters from completed projects are identified and built into other projects or ongoing work programmes, the ANAO encourages Centrelink to consider putting in place alternative arrangements to address these issues.

4.11 For the first three years of Refresh, the ANAO found that the RPO ensured that these documents were stored in the Centrelink Projects Register (CPR), an electronic database that provides key project information and a repository for project documents. However, more recently the CPR has not been used for storing Refresh project documents.¹³⁸

Functional approach to managing Refresh projects

4.12 Table 4.2 shows Refresh Programme Office coverage of functional programme and project management good practice elements.

4.13 The RPO has developed and authorised Refresh-specific policy, procedures and tools and put in place support arrangements covering all of these functional areas, building on the requirements of the CPMF, and taking into account existing corporate policy and procedures. In conjunction with the former Centrelink Project Office and the IT divisions, it has adapted an approach to programme and project management that accords with better practice.

¹³⁷ For example, Project Closure Reports were not prepared for Refresh Project 1.8 Staff Online Services, Refresh Project 1.11 Organisational Identities (although an Analysis Paper was prepared in relation to Project 1.11), Refresh Project 1.14 Cross Agency Portal, Refresh Project 3.2 Duplicate CRN Clean-up (although a PIR was completed for this project), Refresh Project 3.4 ISIS Asset Upgrade, Refresh Project 4.1 Business Process Management, Refresh Project 5.1 Multiplatform Environments and Refresh Project 9.1 Service Oriented Architecture.

¹³⁸ The ANAO acknowledges that, in the context of the ANAO's audit of Project Management in Centrelink (No 28 of 2006–07), p. 53, Centrelink recognised that the Project Register had not kept pace with other tools, such as *Primavera*, and was no longer reliable as a source of monitoring information. Centrelink also indicated that the Projects Register was to be part of a broader review of project management tools in the Project Coordination Branch. Refresh project documents are now stored on the Refresh shared drive, pending the outcome of this review.

Table 4.2**Refresh Programme Office coverage of functional programme and project management elements**

Element	Description
Integration management	Coordination and integration of project processes to ensure successful project completion, meet stakeholder requirements and manage expectations and competing priorities.
Scope management	Processes required to ensure that a project includes all of the work required, and only the work required, to produce the deliverables required.
Time management	Processes required to ensure that a project is completed on time.
Cost management	Processes required to ensure that a project is completed within the approved budget.
Quality management	Implementation of a quality management system to ensure that a project will deliver outputs that meet quality standards and are fit for purpose.
Human resource management	Management of people in a project team, including staff and contractors
Communications management	Communications planning, information distribution, performance reporting and stakeholder management.
Risk management	Processes for risk identification, mitigation, monitoring and review.
Procurement management	Processes to acquire products and services required by a project.

Source: ANAO analysis and Appendix F, *PMBok Guide*, pp. 338–341.

Implementation of Refresh programme management

4.14 In terms of getting Refresh under way in Centrelink, the first few months of the 2003–04 financial year were devoted to establishing the programme management function and to planning and preparation for undertaking the programme. This work effectively established a baseline position for Refresh programme management.

4.15 A consultant review of the Refresh programme management arrangements was conducted in October 2003 to review the effectiveness and set up of the current programme management function, including the RPO. Centrelink wanted the review completed before it began to implement projects. The review found that:

the programme management function is now fully operational, and has developed a series of plans, frameworks, processes and methodologies for managing the programme and the individual projects. In addition it has

coordinated several Programme Steering Committee meetings and stakeholder forums.¹³⁹

4.16 The review assessed current practice against the criteria of the characteristics of the programme, the organisational context and good programme management practices. It distilled these criteria into a number of attributes around management, personnel and processes. Table 4.3 summarises the findings of the review.

Table 4.3

Initial review of Refresh programme management

Elements	Review Rating	Issues
<i>Programme structure, roles and responsibilities</i>		
Inter-agency steering committee	④	
Programme steering committee	④	
Programme Owner	②	
Programme Office	③	
Sub-programme coordination - business owner	①	Formal responsibility not assigned
Sub-programme coordination - project director	③	
Organisational change management	①	Formal responsibility not assigned
Technology direction and integration	①	Formal responsibility not assigned
<i>People and capabilities</i>		
Programme Owner	③	Awareness of Centrelink business structures and processes
Programme Office	③	No specialist communication capabilities, limited business involvement
Sub-programme coordination - business owner	①	Formal responsibility not assigned
Sub-programme coordination - project director	③	Most external contractors, need to understand organisational context

¹³⁹ Boston Consulting Group, *Review of Program Management Function for IT Refresh – Summary Report* (24 October 2003), p. 4.

Elements	Review Rating	Issues
Key management processes and plans		
Programme planning and schedule	③	Slow take up of effort recording. Key interdependencies not identified.
Financial management	③	Delays in releasing funds. Doesn't include earned value, sourcing/procurement strategy. Not all costs picked up in it.
Benefit/saving realisation	①	Plan pre-draft only. Measures, baseline, targets, ownership of benefits not defined, except for savings.
Stakeholder communication	①	Not effectively managed or coordinated.
Risk and issue management	④	
Tracking, monitoring and reporting	③	Content requirements and timelines changing. Additional burden.
Project change management	②	No change management plan, process not communicated to project managers
Quality management/assurance	①	Quality management plan not released, Gateway not yet accepted
Documentation	④	
Organisational change management	①	No change management plan. Ownership for change not assigned.

Source: Extracted by ANAO from Boston Consulting Group, *Review of Program Management Function for IT Refresh—Summary Report* (24 October 2003).

Key:

- ① Not addressed
- ② Initial steps taken, significant attention still required
- ③ Significant progress made, further attention required
- ④ Mostly addressed, some further refinement required
- ⑤ Effectively accomplished

4.17 Further reviews provide insights into the way that Refresh programme management arrangements have developed. The Mid-term Review conducted by Booz Allen Hamilton noted what it called a 'major structural issue with Refresh schedules'¹⁴⁰ in the annual re-baselining of schedules. The Review report stated that:

New business cases are not reconciled against previous years and most business cases contain a limited set of clear milestones. This makes tracking of

¹⁴⁰ Booz Allen Hamilton, *op cit*, p. 18. For further details of this report see paragraphs 3.39 to 3.45.

projects against years 'very difficult', as well as answering the simple question, 'Are we on track'. At present this question can only be answered with any clarity for the current year's delivery.¹⁴¹

4.18 The Mid-Term Review found that this rescheduling meant that some quite substantial slippages were not transparent in project reports. Combined with the fact that expenditure on Refresh was occurring 'on-plan', the Review report considered there was the risk of overloading of planned expenditure in the remaining years of the programme.¹⁴²

4.19 At the time of the audit, the ANAO considers that the RPO had matured as a strategically focussed unit. Its role is the coordination and integration of project processes to ensure successful project completion, meet stakeholder requirements and manage expectations and competing priorities. Key elements of the RPO's approach, as set out in the Refresh Programme Management Plan,¹⁴³ are:

- providing support to the Oversight Committee;
- getting corporate areas within Centrelink to provide support for projects (for example, Finance to establish cost centres and IT Infrastructure for procurement);
- considering the impact of project level decisions and developments on the objectives of the programme and on other organisational initiatives;
- ensuring that IT solutions are not constrained by existing organisational structures or IT capabilities, but rather focus on the strategic capability required by Centrelink; and
- importantly, taking the responsibility to re-scope, modify or stop projects based on a formal quality process involving gateway reviews.

4.20 The ANAO considers that the establishment of programme management arrangements for Refresh was appropriate, given the objectives-focused nature of Refresh, its complexity and the significant changes in business practices that flow from it. The CPMF, established in 2000, addressed some aspects of programme management, but not sufficiently well for the RPO to be established and run as a mature programme management function from the outset. As a result, the role of the RPO has developed and matured, to a

¹⁴¹ *ibid.*

¹⁴² *ibid.*

¹⁴³ Refresh Programme Management Plan (PgMP), *op cit*, p. 18.

point where it can be considered as an effective programme office. With the impending end of the programme's Budget funding, it is important that Centrelink put in place arrangements to ensure the programme management lessons learnt from the RPO are not lost. This has been achieved to some degree with the amalgamation of the RPO with the Centrelink Projects Office (referred to at paragraph 3.58), which is responsible for the management of the entire portfolio of projects in Centrelink.

Programme level planning

4.21 The RPO is responsible for developing the Programme Work Plan, for monitoring project progress and for providing support for projects and project managers.

4.22 The Refresh Work Programme that was developed in late 2005–early 2006 described deliverables and their costs from 2006 through to the end of the programme in 2008. This approach to planning, endorsed by the Oversight Steering Committee in October 2005, is an improvement on the year-by-year planning previously undertaken for Refresh.¹⁴⁴ Centrelink has identified among its advantages the ability to plan for strategic sourcing and to address skills and resource shortages.¹⁴⁵

4.23 The workplan is based on what Centrelink referred to as a '*progressive elaboration*' approach,¹⁴⁶ in which high level objectives and requirements are analysed and elaborated on to produce the detailed specifications and requirements that project teams act upon. The approach includes a continuous review process to ensure that changes to objectives and high level requirements are picked up and reflected in changes at the individual project level. This approach contrasts with what was termed a '*waterfall*' approach,¹⁴⁷ in which systems design and a sequenced implementation process are predetermined and then followed in an inflexible manner.

4.24 The planning stage for Refresh was based on the 'waterfall' approach, in that the business case put to the Government listed a clearly articulated set

¹⁴⁴ This was the organisational standard for project planning at the time. The ANAO has previously identified, in its 2006–07 audit of Project Management in Centrelink, the need for projects to be phased for results rather than to be phased by financial years (ie the need for Centrelink to incorporate both external accountability and internal project management perspectives when it defines and phases projects).

¹⁴⁵ Refresh Program Management Plan (PgMP) *op cit*, p. 11.

¹⁴⁶ *ibid*.

¹⁴⁷ *ibid*.

of projects, sequenced and costed. The business case did not specify programme management arrangements. The approach at the planning stage reflected Budget funding arrangements and the expectations of Centrelink by the then client agency (the then Department of Family and Community Services). There was a clear articulation of the activities to be undertaken. However, the chances that the projects could be rolled out in precisely the envisaged sequence, with the estimated timing and cost, were extremely low.

4.25 Refresh operates in a complex environment—one in which there are continuing changes in technology, in Centrelink’s organisational capability and structure and in political and administrative arrangements. Over the period Refresh has been running, adjustments have had to be made for:

- an enhanced focus by the government on the provision of online services;
- the inability to articulate business intelligence requirements for a long time; and
- significant changes in relevant administrative arrangements.

4.26 These issues raise technical and integration risks. To mitigate technical risk, an iterative approach needs to be developed.

4.27 The weaknesses in the waterfall approach were identified by consultants engaged by Centrelink to review the original business case for Refresh before its submission to the Government for approval:

We believe that creating a traditional, robust, granular 5-year budget is not feasible for this type of project and that the usual ‘waterfall’ project methodology is inappropriate. Instead high-risk, high reward transformative projects require different governance and project management methods. We recommend Centrelink adopt the current figures as a five year forecast, with the cost benefit analysis demonstrating the potential value of the project. Centrelink should develop new governance methods for transformation projects such as the recommended iterative approach that uses short (3–6 month) time scales for each deliverable, followed by rigorous project review and go/no go decisions. This requires the budget process to be flexible, with costs being iterated up or down each year depending on the experience and benefits captured in earlier milestones of the project.¹⁴⁸

4.28 Centrelink’s revised progressive elaboration approach (paragraph 4.23) to the governance and management of Refresh has been successful, although it

¹⁴⁸ Meta Group, *Centrelink Project Quadrants* (December 2002), p. 5.

took some time for it to be successfully integrated with the demands of annual budget processes.

Scope management

4.29 Centrelink requires business cases and project plans to be prepared for all projects. However, the ANAO identified numerous examples where Refresh project reviews have criticised the poor initial scoping of projects.¹⁴⁹ This indicates that work still needs to be done to improve the way in which projects are developed and specified—in particular, in terms of engaging business owners more strongly in this process and ensuring that the sub-programme committees play a stronger role in overseeing the interaction between projects and how they should be progressed.

Scheduling and time management

4.30 Scheduling and time management are conducted using *Primavera*, Centrelink's electronic portfolio management system that is the standard for all projects in Centrelink. In Refresh, its use is very closely tied to programme integration management. The *Primavera* tool supports programme, project and human resource management:

- at the programme level: *Primavera* is used to produce customised reports to track programme and project status and support informed decision making;
- at the project level: project work breakdown structures, deliverables and schedules are established, human resources requested and assigned, and project progress is updated and reported; and
- in terms of human resource management: human resources can be assigned to teams, team members enter their effort in time sheets, and project managers can review and approve their timesheets.

4.31 *Primavera* is potentially a powerful tool for programme management. For example, it can be used to analyse and manage inter-project dependencies and the programme critical path and to monitor key statistics such as earned value and estimated time/cost to complete. However, these benefits are dependent upon the way in which the system is used and the quality of the information that is put into it. The ANAO's 2006–07 audit of Centrelink's project management noted that an internal assessment conducted by

¹⁴⁹ Examples are Refresh projects 1.3, 1.9, 4.1, 7.1 and 7.3.

Centrelink's then Project Coordination Branch in 2005 of scheduling maturity in the agency's project management approach found that Refresh projects were operating at a higher level than other projects in Centrelink.¹⁵⁰

4.32 A Refresh Scheduling Team has been set up within the RPO to provide scheduling and time management services for Refresh projects, and to provide periodic and *ad hoc* reports for stakeholders. Functions performed by this team include:

- *Schedule Development/Modification*: Assisting with the development of project schedules, including assisting project managers with planning. Within each project, creating a Work Breakdown Structure (that is, schedule of activities) based on the approved Deliverable descriptions for each project. Validation of inter-task dependencies and resource levelling to ensure feasible in terms of cost, time.
- *Supporting the Refresh Project Baseline Approval Process*: Executing baseline checklists when projects submit a new baseline for their project, and assisting with the development of new baselines for previously approved project schedules. This involves assisting project managers with modifications to schedules as a result of approved change requests.
- *Supporting the Updates of Project Schedules*: Supporting project managers to update their project schedules (including completion of remaining activities) to reflect actual expenditure and other data. Reconciliation of costs in *Primavera* is done against the costs reported within Centrelink's finance and human resource management information system, *Infolink*.
- *Analysis*: Analysing project schedules and reporting identified issues to project directors, for example, discrepancies between the schedules and the RPO's knowledge of work being performed.
- *Reporting*: Regular programme and project level reporting, and *ad hoc* reporting, for example, resource analysis identifying/analysing underspending across Refresh projects.
- *Quality management*: Analysing issues impacting on the quality of data within the *Primavera* schedules, advising relevant parties of these issues and, where possible, assisting in identifying ways to prevent the problems from occurring again.

¹⁵⁰ Audit Report No.26 of 2006–07, *Project Management in Centrelink*, p. 81.

- *Process documentation:* Providing project managers with documentation to support the application of approved scheduling processes and relevant scheduling documents and reports.

4.33 To test the maturity of scheduling management, the ANAO requested the Refresh Scheduling Team to provide it with:

- a programme critical path;
- deliverables and milestones by project;
- an analysis of project interdependencies;
- an estimate of earned value by project and for the programme; and
- estimates of time and cost to complete for the programme.

4.34 The information provided by the Project Team indicated that, while this information was not available in 2003–04 and was only partially available in 2004–05, by 2005–06 it had matured to the point where the information was available or, in the case of project interdependencies, coordination was undertaken at regular project meetings arranged by the RPO.

Financial management

Cost of Refresh

4.35 Table 4.4 shows the elements of funding provided through the Budget for Refresh.

Table 4.4

Budget funding for Refresh

	2003-04 \$ '000	2004-05 \$ '000	2005-06 \$ '000	2006-07 \$ '000	2007-08 \$ '000	Total \$ '000
Expenses	32 949.40	40 539.60	49 999.10	32 413.50	30 946.10	186 847.70
Capital	16 941.00	16 420.00	26 114.00	23 324.00	13 626.00	96 425.00
Sub-total internal allocation	49 890.40	56 959.60	76 113.10	55 737.50	44 572.10	283 272.70
Administration flow on	1 291.00	1 500.50	1 960.80	973.50	664.50	6 390.30
Property	1 494.60	1 737.10	2 269.60	1 126.30	769.30	7 396.90
Depreciation	190.00	5 013.80	9 635.50	16 161.80	21 133.10	52 134.20
Sub-total 'withheld' funding	2 975.60	8 251.40	13 865.90	18 261.60	22 566.90	65 921.40
Costs of achieving administered savings	-	337.00	5 186.00	5 136.00	5 011.00	15 670.00
Total	52 866.00	65 548.00	95 165.00	79 135.10	72 150.00	364 864.10

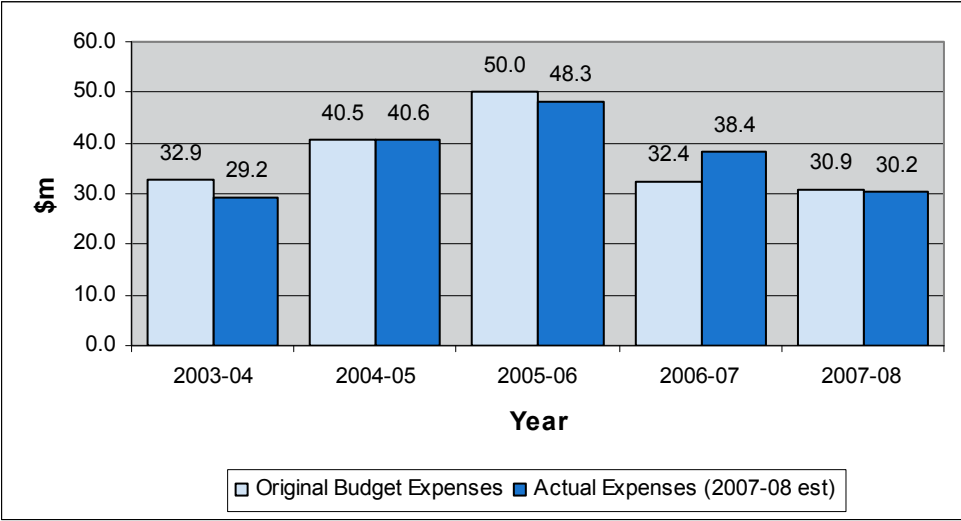
Source: ANAO analysis.

4.36 The RPO manages the \$283.3 million in Budget funding for expenses and capital expenditure, which might be regarded as ‘direct’ funding for Refresh Projects. The remaining funding is managed centrally by Centrelink’s Budget and Management Accounting Branch. The RPO finance unit focuses specifically on the \$283.3 million in direct project funding and has little visibility of the utilisation of the remainder of the funding. However, the ANAO considers that a key responsibility of the RPO should also be to ensure that Refresh expenditure remains within the overall Budget allocation of \$364 million (ie, both direct and indirect funding).

4.37 While the Refresh Budget measure provided funding estimates for each year of Refresh, Centrelink has been able to move funds between years.

4.38 Figures 4.1 and 4.1 show the year-by-year utilisation of the \$283.3 million in direct project funding for Refresh, categorised by expense and capital.

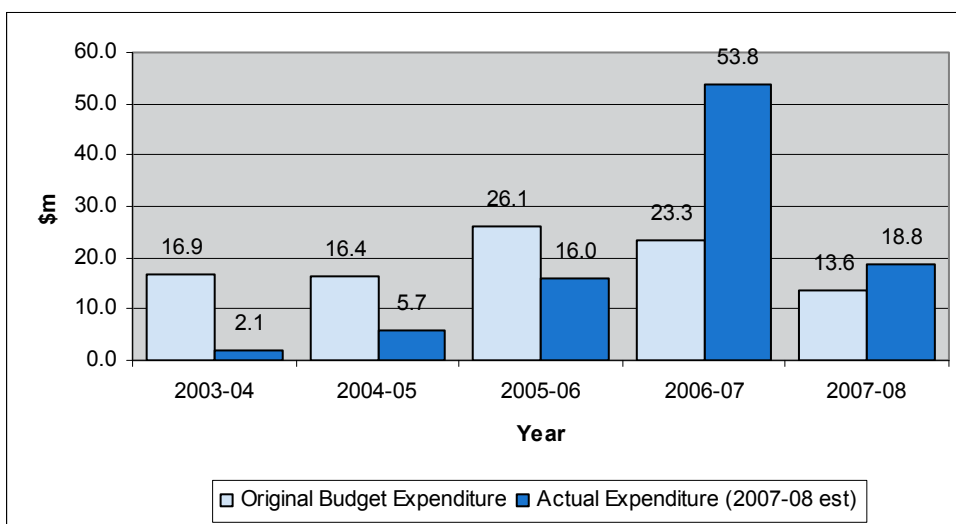
Figure 4.1
Refresh expenses, 2003–04 to 2007–08



Source: ‘Actual’ expenses provided by Centrelink.

Figure 4.2

Refresh capital, 2003–04 to 2007–08



Source: 'Actual' capital expenditure figures provided by Centrelink.

4.39 Expenses have tracked fairly consistently with the original Budget allocations for the first four years of Refresh. Capital expenditure tracked well below Budget for the first three years of Refresh, reflecting schedule delays and the difficulties Centrelink experienced in procurement. The large spike in 2006–07 was attributable to the completion of major procurement processes, and the capitalisation of \$19 million in costs associated with getting capital equipment *in situ* and operable. For the five years, the expectation is that capital expenditure will be on budget.

4.40 The original Budget made provision for about \$30 million of expenses for internally developed software (IDS) to be capitalised over the five years. Over the first four years of Refresh, IDS totalled \$36.6 million (compared with an amount of \$22.9 million that was budgeted for this period). In 2006–07 Centrelink also capitalised non-IDS costs of \$7.8 million, in line with accounting standards (it was unable to do this in earlier years as the requirements of the standards could not be satisfied).¹⁵¹

4.41 On the basis of the capital expenditure, accumulated depreciation for Refresh is projected to be lower at the end of the programme than originally

¹⁵¹ In particular, scheduling was not sufficiently detailed to measure reliably the expenditure attributable to intangible assets).

estimated (\$15 million,¹⁵² compared to the original Budget estimate of \$52 million).

4.42 The cost of the RPO was not included in the Budget estimate for Refresh but will use about \$17 million of the \$283.3 million in direct project funding. In addition to the Budget funding for Refresh, some supplementary sources of funding were used such as service credits available under Centrelink's enterprise level agreement with IBM, internally (rather than Refresh) funded projects that contributed to Refresh outcomes and Centrelink business and other IT area budgets (for decommissioning legacy systems and rolling out Refresh deliverables).¹⁵³

4.43 Analysis of efficiency or cost shifting to or from Refresh is not possible. Some projects were terminated before completion because of performance issues (such as some of the early Business Intelligence projects and Refresh Project 5.1 – Multiplatform Environments) or were terminated for other reasons (such as Refresh Project 1.5 – Participation Contact Arrangements that was terminated for policy reasons—see paragraph 2.9). However, these projects may still have resulted in some worthwhile deliverables or completed work that fed into other projects.

Cost Control

4.44 Finances for the Refresh programme are managed through standard Centrelink practices. The RPO has set up its own management accounting function to manage budgeting, allocation and utilisation of funds under the control of the RPO.

4.45 The RPO has put in place robust measures to control project budgets once they are approved. It established a Change Control Committee to consider all requests for changes in a project's budget as a result of a change in the scope of the project or other factors. This appears to have worked well. There was also effective monitoring and control of the cost of projects.

4.46 The financial management framework that the RPO applied for much of the duration of Refresh was based around managing a budget on a financial year basis. While the RPO has implemented a multi-year programme plan, with indicative costings, project budgets have still been allocated and released annually. However, there are other perspectives that should be considered in

¹⁵² Estimate provided by Centrelink.

¹⁵³ The cost of decommissioning of legacy systems and roll-out was not originally budgeted for in Refresh. However, some of the decommissioning appears to have been met from Refresh.

the financial management of a complex programme such as Refresh including budgeting for a release or phase, and the costs of development and maintenance. In other words there should be a focus on the whole of life cost of a project/programme.

4.47 This alternative approach was advocated both by the Booz Allen Hamilton Mid-term Review Report and some of the Refresh project teams. The Mid-term Review Report stated that:

The Refresh Program has a single budget and overarching Terms of Reference, yet the individual projects and activities are planned and re-planned on an annual basis. This means that tasks beyond the current financial year are only very coarsely identified, which manifests in a number of issues and risks:

- It is impossible to determine accurately the 'estimate to complete' for the entire program. Current projections for work in future years are very rough and are not enshrined in budgets;
- It is impossible to accurately determine the program's performance to date, as every year the individual projects raise new business cases, milestones and deliverables, making it difficult to compare planned versus actual from previous years...
- Project managers strive to achieve annual targets, which may be sub-optimal when assessed from the perspective of the program overall;
- It is difficult to optimise the available resources across the full project.¹⁵⁴

4.48 One project team put the case for a change in the budgeting arrangements very clearly:

There is one proposed area of methodology improvement for projects running over more than one financial year. For each financial year the existing process requires a revised business case and new project management plan. A suggested improvement would be the adoption of an element of the Prince2 methodology¹⁵⁵ where a project management plan is drafted for overall management of the project for the duration of the project. Then a series of Stage Plans describing deliverables are drafted for either logical stages or by financial year, if that is preferred. The favoured approach is by stages so that the last stage is reviewed before committing funds to the next stage (not unlike the existing gateways in use by Refresh at the moment). The staged approach

¹⁵⁴ Booz Allen Hamilton, *op cit*, p. 21.

¹⁵⁵ Projects in Controlled Environments 2 (PRINCE2) – a project management method developed by the Office of Government Commerce in the United Kingdom.

is much easier to manage and makes executive commitment more visible. The existing CPMF project management plan is a combination of Prince2 project management plan and stage plan with only one stage, plus a financial year constraint.¹⁵⁶

4.49 It is desirable, from a programme and project viewpoint, that Centrelink:

- (a) fund multi-year programmes and projects on a multi-year basis, rather than re-basing them (and having a new project plan) at the start of each financial year; and
- (b) as part of its internal controls, assess the financial performance of multi-stage projects at the end of each key project stage.

4.50 Refresh was always planned as a multi-year undertaking. Accordingly, the 2003–04 Budget measure for Refresh included forward estimates which, unless the Government were subsequently to revise them, would be included in the appropriation bills for future years. Allocating funds to multi-year programmes and projects for each year of their approved life—and, so as to inform the annual budget process, reviewing these allocations at the start of each year on the basis of their deliverables and actual performance in the previous year—can readily coexist with maintenance of the annual Budget funding arrangements.

4.51 Following the recommendation of the Mid-term Review, Centrelink funded Refresh projects for the 2006–07 and 2007–08 financial years on a multi-year basis and did not require projects to submit new project plans. The ANAO considers that Centrelink should adopt this approach for all multi-year programmes/projects and assess the financial performance of multi-stage projects at the end of each key project stage.

¹⁵⁶ *Refresh 7.4 Enhanced DBMS Capability – Post Implementation Review Report* (Version 1.0, 29 Nov 06). Note that Centrelink did not require business cases for 2006–07 and 2007–08. Centrelink has also advised that, rather than having a series of Stage Plans, as proposed in the PRINCE2 methodology, Refresh uses Gateway Reviews.

Recommendation No.2

4.52 The ANAO recommends that, for all future multi-year programmes and projects, Centrelink:

- (a) allocate funds to programmes and projects on a multi-year basis and review these allocations on an annual basis in the light of actual performance in the previous year in order to inform the annual budget process; and
- (b) assess the financial performance of multi-stage projects at the end of each key project stage.

Centrelink's response: Agree.

Benefits Management Framework

4.53 Refresh has been developing a Benefits Management Framework. This is not yet fully mature: the centrepiece of the framework, the Benefits Management Plan, is still in draft form, although it represents the end point of a significant analytical and data collection effort. The broad benefits identified through this process are shown in Table 4.5.

Table 4.5**Summary of projected Refresh benefits**

Refresh Benefits
A number of Refresh initiatives will reduce the cost of developing future online applications through, among other things, standardisation, implementation of an updated technology platform capable of supporting new and improved online services, reusable code and updated methodology.
The cost of the testing effort will be reduced and coverage improved with the implementation of automated testing tools. Management of the testing function will be supported and costs reduced with the implementation of integrated service management tools to replace current systems.
Future costs of database support will be reduced with the rationalisation of database platforms and the implementation of administration tools. Costs of supporting the application platform can be reduced through the implementation of enhanced middleware.
The costs of infrastructure operations will be reduced through a series of rationalisation initiatives and decommissioning of obsolete licenses and tools. The implementation of integrated service management tools, improved data network, etc. will improve the management and robustness of infrastructure operations.
Costs of support for the internal security system will be reduced through efficiencies provided by the replacement system.
The implementation of integrated service management tools will reduce the need for stand alone management systems; automate current manual processes; reduce duplication of effort in multiple IT groups; and support helpdesk staff.
The implementation of a single repository for all management information data and a single business definitions registry will provide essential components of efficient and effective data management and reporting.
Consolidating information holdings for registered organisations will provide efficiencies in doing business with this group of stakeholders.
The implementation of improved external security with new technology capability, such as Speaker Verification, will enable Centrelink to support enhanced and additional online services with consequent time savings for staff.
The implementation of a number of the Refresh technology capabilities will enable Centrelink to support cost effective, enhanced online services with reduced risk of failure and consequent productivity loss on the part of staff or loss of confidence on the part of customers and other stakeholders.

Source: Refresh Draft Benefits Realisation Plan (v. 0.21, 20 November 2006), p. 8, Centrelink.

4.54 According to Centrelink, at the start of Refresh, the expected benefits were quantified for the projects comprising the Savings Initiatives (see Table 2.8), and the expected benefits of all other projects were expressed in broad outcomes. Consequently, for the purpose of quantifying Refresh benefits, a 'bottom up' approach was taken by assessing each project.

4.55 In summary, the steps set out in Table 4.6 describe the approach Centrelink expects to be taken to assess the expected benefits for each Refresh project.

Table 4.6

Expected approach to assess the expected benefits of Refresh projects

- After reviewing the business case and project management plan, the RPO meets with the project manager and, in most cases, the business owner to understand and document the benefits.
- Ways in which the benefits can be expressed in quantifiable terms and measured later, are explored, for example, 'more efficient' may be able to be expressed as 'savings of 5 minutes per transaction';
- In cases where it is extremely difficult to quantify the benefit, a target benefit is suggested. For example, where several Refresh projects contribute to 'lower costs for application development', it is extremely difficult to accurately assess the contribution of each project. In such cases, a reasonable target for improvement is quantified using industry benchmarks and the current cost of online application development efforts.
- A Benefits Sheet is drafted for each project with estimated benefits, savings or avoided costs and any available benchmark data.
- The benefits are then collated by the Benefit Owner (the General or National Manager responsible for the particular element of Refresh activity) and categorised into benefits that are harvestable, benefits that are notional but worth monitoring (such as productivity improvement) and those that cannot be practically harvested, measured, or monitored.
- The basis of the benefit calculations and method are verified by Centrelink's Finance area.
- Benefits for each project are entered in the master spreadsheet (maintained by the RPO) in order to perform a preliminary analysis of such items as benefit to cost ratio, total harvestable benefit for the programme and assessments of possible adjustments to internal budgets.
- Benefit Owners are approached to validate the material and sign off on responsibility for realising the benefits. Where real benefits result in savings being harvested, Centrelink Finance validates the benefits. However, in most cases, the Benefit Owner decides on the 'application' of the benefit. For example, they may decide that the funds to be saved from a decommissioned system be allocated to the maintenance of the new system that will replace it.
- Once agreed with the Benefit Owners, Benefit Realisation Plans, including Benefit Monitoring Sheets, are completed and lodged with the Project Coordination Branch for monitoring the realisation of benefits beyond the life of Refresh.

Source: Refresh Draft Benefits Realisation Plan (v. 0.21, 20 November 2006), p. 9–10, Centrelink.

4.56 This approach is methodologically sound, but it has yet to be fully implemented. Centrelink has recognised that:

The approach to benefits management for the Refresh Program would be more efficient if benefits had been quantified before projects were initiated. Business cases for almost every project state the benefits in unquantified and vague terms.¹⁵⁷

¹⁵⁷ (Draft) Benefits Management Plan, v 0.21, *op cit*, page 11.

4.57 The draft Benefits Management Plan¹⁵⁸ provides recommendations for future programmes, which the ANAO supports. These are:

- *Quantify the performance metrics based on the organisation's strategy.* The organisation's goals and objectives will generally be reflected in a scorecard that quantifies the current situation and future objectives. Gaps are addressed by change initiatives with the metrics or targets set for each manager.
- *Select and Design the Programme based on the Gap Analysis.* Change initiatives are identified to address shortfalls. Results chains can be used at the programme level to explore alternatives to address shortfalls or obtain benefits.
- *Develop the Programme Plan and Business Case.* After selecting the best approach to deliver benefits, the programme is planned in detail including the approach, risks, implementation issues, resource requirements and cost benefits estimates to evaluate investment decisions.
- *Select the Projects and the Benefit Owners and Initiate the Projects.* After the programme is planned, individual projects can be designed to deliver the benefit under the active sponsorship of a benefit owner.
- *Measure and Review Primary and Secondary Benefits.* Project performance is then measured against targets. Primary benefit or project outputs are tracked by monitoring schedule, budget and quality (ideally using earned value method) and the realisation of benefits is owned and managed by the responsible business sponsor.

4.58 The ANAO suggests that Centrelink:

- (a) finalise the Refresh Benefits Management Plan as a matter of priority; and
- (b) implement the recommendations contained in the Refresh Benefits Management Plan aimed at improving benefits management for future programmes.

¹⁵⁸ *ibid.*

Quality management

4.59 A key aspect of the Refresh approach to quality management is the use of ‘Gateway’ reviews. These reviews are based on the UK Office of Government Commerce (OGC) Gateway process. The OGC Gateway process is applied to acquisition programmes and procurement projects in civil central government in the UK. The process provides for examination of programmes and projects at key points to provide assurance that they are ready to proceed to the next stage. Programmes and projects that are not considered ready are changed or stopped: hence the notion that the reviews are gateways through which programmes and projects must pass.

4.60 Since August 2006, Finance has required agencies to apply a modified Gateway review process to agencies subject to the *Financial Management and Accountability Act 1997*, 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.¹⁵⁹

4.61 Since the start of Refresh, Centrelink has used Gateway reviews to assess the ‘health’ of Refresh projects at critical points and to make decisions about whether projects should proceed as planned, be modified or be closed. The policy for their use also provides for them to be used for Refresh procurement processes (one Refresh procurement review was identified).¹⁶⁰

4.62 The five types of Gateway Reviews are:

- Gateway 0: Strategic Assessment Review;
- Gateway 1: Readiness Review;
- Gateway 2: Progress or Milestone Reviews;
- Gateway 3: Project Close Review; and
- Gateway 4: Benefits Realisation Review.

¹⁵⁹ Department of Finance and Administration, *Overview of the Gateway Review Process*, October 20–07, www.finance.gov.au/gateway/index.html.

¹⁶⁰ Procurement reviews are discussed further in the section on ‘Procurement Management’ (paragraphs 4.80 to 4.89).

4.63 Occasionally, some of these reviews are combined (eg, Gateways 1 and 2 or 3 and 4).¹⁶¹

4.64 The RPO formally schedules projects for Gateway Reviews. Project steering committees, project managers, project directors or project sponsors may identify the need for a review. While there is no set requirement concerning the number of reviews, the 'rule of thumb' is for most projects to be reviewed at least once a year.¹⁶² Reviews are conducted by a small team of external reviewers. Review reports are approved by the General Manager, Access Card, Project Coordination and IT Planning Division. The RPO monitors the implementation of the recommendations of Gateway Reviews.

4.65 Table 4.7 provides a summary of completed Gateway reviews by project as at 31 July 2007.¹⁶³

4.66 The ANAO notes that, although Centrelink adopted the Gateway Review process as part of its management strategy, relatively few Gateway 3 (Project Close), Gateway 4 (Benefits Realisation) reviews have been done (the only three Gateway 4 reviews were undertaken jointly with Gateway 3 Reviews). The benefits to Centrelink in undertaking such reviews are that they:

- identify implementation issues or further work that Centrelink may need to undertake to ensure that the benefits of a project are fully realised;
- identify lessons for the management of future projects; and
- assess the benefits achieved by major projects and help to improve Centrelink's benefits management framework.

4.67 To ensure efficient and effective implementation of project outcomes and that the lessons learnt from projects are identified, the ANAO considers that there would be benefit in Centrelink conducting Gateway 3 (Project Close) and Gateway 4 (Benefits Realisation) reviews for major Refresh projects.

4.68 The Gateway process makes provision for reviews of a programme, as well as of individual projects within the programme. Centrelink has not applied this approach. Instead, programme level quality is assured through

¹⁶¹ In the case of a combined Gateway 1 and 2 review, a project's progress in one stage may be reviewed as well as its readiness to progress to the next stage.

¹⁶² Centrelink, 2006, *Gateway Review Process, Leadership Guide*, p. 3.

¹⁶³ In addition to the Gateway reviews, some post-implementation reviews were completed. There was also one procurement review (see paragraph 4.88).

governance processes, and in particular the two-monthly health assessments made by the external advisor to the Refresh Oversight Committee.

Table 4.7

Gateway reviews completed as at 30 July 2007 by Gateway type

	Gateway Review Type						Total
	0	1	1/2	2	3	3/4	
No of reviews	6	21	2	59	8	3	99

Source: ANAO analysis

4.69 Centrelink adopted the Gateway process for Refresh about eighteen months before Finance began to apply the approach. This reflects the criticality of Refresh's success to Centrelink and Centrelink's commitment to continuous improvement of programme and IT project management processes in the RPO. Gateway reviews have enhanced Centrelink's capacity to stop projects if needed, or to change them to make sure that they achieve their objectives. Centrelink has used the results of Gateway reviews to do both of these things. This is a significant indicator of improving maturity in Centrelink's programme/project management processes. Perhaps the most difficult decision to make in relation to a project is to stop it once there has been a significant commitment of resources, but the reality is that projects will not always succeed and it is vital to modify or stop them if necessary. The Gateway process, as it is applied by Centrelink to Refresh projects, has proven to be an effective mechanism for doing this.

4.70 The ANAO considers that the Gateway reviews have provided effective control over the quality of Refresh projects. Centrelink now applies the Gateway process to other projects, based on an assessment of their risk.

Risk management

4.71 The Refresh risk and issues management approach is an adaptation of the Centrelink Risk Management Guidelines, which follow the Australian/New Zealand standard for risk management (AS/NZS 4360:2004).

4.72 The risk and issues management process consists of six key activities, which are:

- risk identification;
- risk analysis ;
- risk prioritisation;

- development of risk strategies;
- mitigation implementation of risk mitigation strategies; and
- ongoing monitoring of risks and mitigation strategies, which then can result in further risk identification and development of risk mitigation strategies.

4.73 These activities are formally integrated into project and programme processes through two key mechanisms:

- formal risk identification and risk mitigation strategy development, which is scheduled at least every six months; and
- monthly monitoring of risks and mitigation actions.

4.74 Centrelink differentiates between risks and issues. Risks are defined as potential threats to project/programme activities which can become issues if they are not effectively mitigated. Issues are events that have or will occur that will impact on project/programme activities. They are managed using the same processes, but are recorded in separate databases, to facilitate appropriate levels of attention and mitigation action. The Refresh Risk Log records all risks at programme and project level, and the Refresh Issues Log records all issues at programme and project level. These databases are managed by the Refresh Risk Coordinator, who is part of the RPO.

4.75 Project level risks are managed at project level by the project teams. Visibility of project level risks and actions at programme level comes through the monthly project status reports prepared by the Project Directors. The Directors are required to report to the RPO on the compliance of projects with the risk management approach, and on the actual risks. The Refresh Risk Coordinator is responsible for identifying project level risks that require escalation for management and action by the RPO, the Refresh Subprogram committees or the Oversight Committee.

4.76 The RPO manages and regularly reviews programme level risks. Visibility of programme level risks at the senior management level comes through regular reporting of Refresh programme/strategic level risks to the Oversight Committee and other senior committees, including the Centrelink Audit Committee. The RPO completed a review of programme level risks in February 2007. Table 4.8 shows the risks identified through this process.

Table 4.8**Refresh programme level risks – as at February 2007**

Rank	Risk Description	Pre mitigation			Post mitigation
		Likelihood	Consequence	Risk level	Risk level
1	If Refresh fails to secure adequate levels of skilled resources to both build and support new capabilities into production	Almost certain	Major	Very High	Very High
2	If Refresh fails to prioritise and agree the correct programme of deliverables	Likely	Major	Very High	Medium
3	If Refresh fails to deliver a sustainable middleware platform	Possible	Major	Medium	Medium
4	If Centrelink fails to leverage strategic capabilities post-Refresh	Possible	Major	Medium	Low
5	If Refresh fails to provide sufficient capability to sustain Centrelink's future growth and development	Possible	Moderate	Low	Low
6	If Refresh fails to maintain flexibility and engagement with business to meet changing government expectations	Possible	Moderate	Low	Low
7	If there is a failure to consistently comply with Refresh Governance arrangements	Possible	Moderate	Low	Low

Source: RPO report to the Centrelink Audit Committee, March 2007.

4.77 Centrelink's intention is that programme level risks will be reviewed and updated on an increasingly regular basis as the programme draws towards the end of its Budget funding in June 2008.

4.78 Centrelink advised that the strategic/programme level risks to Refresh had been identified by working across the programme in both a 'top-down' (identifying threats with key senior stakeholders and programme managers) and 'bottom-up' (working with all of the individual projects within Refresh to identify and manage threats) manner. In this way it had sought to identify key 'trigger' events that could potentially lead to larger-scale failures should these

events occur in an uncontrolled environment and to identify 'root causes' that could lead to programme failure.

4.79 The ANAO notes that the risk of failing to secure adequate levels of skilled resources is rated as very high, even after mitigation action. Failure to mitigate this risk successfully would have flow-on consequences for the achievement of Refresh objectives if it means that project activities cannot be undertaken as currently planned. Centrelink advised that there is a risk to all large-scale projects in Canberra at the present time because of the current skills shortage. It said that reporting an ongoing very high post-mitigation risk ensures that the issue is actively monitored and that additional potential mitigation actions are continually sought. The Oversight Committee had endorsed this approach.

Procurement management

4.80 The Refresh programme is responsible for a substantial capital acquisition programme, originally budgeted at approximately \$96 million, and for the acquisition of services relating to systems development. Recognising the importance of procurement to the success of the programme, the RPO has sought to coordinate procurement for Refresh. However, procurement of IT Infrastructure is managed outside of Refresh by the IT Infrastructure Division. Procurement has caused ongoing difficulties for Refresh: delays in procurement processes have caused schedule slippages, sometimes quite significant slippages. In response, the procurement coordination processes were revised during the programme.

4.81 As this has been an ongoing issue for Refresh, the ANAO examined the end-to-end process for two procurements made by the Refresh programme to gain further insight into this issue. The two procurements involved the acquisition of a relational database management system and reporting tools, both required under the BI sub-programme.

4.82 The acquisitions were made in an environment where the progress in the relevant sub-programme had slowed and it was under time pressure to make the procurement in order that agreed project deliverables could be achieved. At the time that Centrelink approached the market, the technical and business requirements for the system had not yet been fully resolved.

Recognising this, Centrelink management considered the procurements to have high risks.¹⁶⁴

4.83 Refresh provided an opportunity to address some weaknesses in Centrelink's management information systems. Centrelink's decision to pursue the procurements despite the risks was made largely on the basis that considerable benefits would flow from the successful introduction of a data warehousing capability.

4.84 The ANAO found that the procurement process implemented by Centrelink was aimed at obtaining the best value for money for the Commonwealth. However, the ANAO also found that, during the procurement of the relational database management system (RDBMS), Centrelink:

- sought expert advice on potential suppliers after it had sought expressions of interest (rather than before seeking expressions of interest (EOI));
- modified the rating scale for the evaluation of expressions of interest from that in the EOI document (while Centrelink sought probity advice before doing this, ratings scales should be established before expressions of interest or tenders are called);
- significantly changed the scope of the procurement between the EOI and Request for Tender stages (by removing the extraction tools from the tender and instead procuring this under licence arrangements with an existing supplier); and
- constructed a prototype system using existing hardware and software systems simultaneously to the procurement of a replacement system. As this was the same system that was eventually procured, the process followed by Centrelink may have exposed it to a perception of bias in the procurement.

4.85 The ANAO considers that Centrelink's procurement process needs to be managed in such a way that it does not inadvertently restrict competition, and indeed that it actively encourages competition. Only two tenders were lodged to supply the RDBMS.

¹⁶⁴ See, for example, Procurement Plan for Provision of Business Intelligence Relational Database – Hardware and Software Components (July 2005).

4.86 The Centrelink Quality Assurance Framework provides for Procurement Reviews to be undertaken. These reviews are similar in nature to the Gateway Reviews in that they are done at critical points by independent reviewers.

4.87 There are six types of Procurement Reviews that can be undertaken:

- Procurement 0: Strategic Assessment Review;
- Procurement 1: Business Justification Review;
- Procurement 2: Procurement Strategy Reviews;
- Procurement 3: Investment Decision Review;
- Procurement 4: Readiness for Service Review; and
- Procurement 5: Benefits Realisation Review.

4.88 The ANAO found that only one Procurement Review had been completed as at 30 June 2007.¹⁶⁵ The ANAO considers that high risk procurements would benefit from the having corporate Procurement Reviews of the various stages of the procurement process, as envisaged in the Centrelink Quality Assurance Framework. In the ANAO's view, the procurement of the data warehouse and extraction software would have benefited from having been reviewed in this way.

Recommendation No.3

4.89 The ANAO recommends that, in order to provide independent assessments of high risk IT procurements, Centrelink undertake procurement reviews for such procurements, as provided for in its Quality Assurance Framework.

Centrelink's response: Agree.

Transition management

4.90 In 2007–08, Centrelink's priorities are to complete outstanding work under Refresh and to consider what further action should be taken beyond Refresh. The outstanding work on Refresh includes residual work on the foundation infrastructure, progression of online services to third parties and commencement of work on population of the Enterprise Data Warehouse

¹⁶⁵ A Procurement Review 4 (Readiness for Service) on Refresh Project 7.6 – Infrastructure Operations Capability.

(EDW). Since some of this work, particularly the population of the EDW, will be incomplete at the end of the Refresh period, arrangements will need to be put in place to continue this work. Furthermore, while Refresh has established Centrelink's capability to provide online services—and a lot of services are now being provided online—there is more to be done to make the best use of this newly established capability. Centrelink is currently undertaking work on the future after Refresh and the Oversight Committee is also considering what should happen beyond Refresh.

Overall programme management conclusion

4.91 The overall programme management arrangements for Refresh have worked well and have helped Centrelink to be in a position to deliver on its commitments to the Government.

4.92 Centrelink's approach to programme management with Refresh is effective and innovative. Initiatives introduced by the RPO include:

- a progressive elaboration approach to planning;
- strong support for the Oversight Committee and sub-programme committees to ensure that they are well informed; and
- the ability to track and, if necessary, halt failing projects, and redirect resources to areas of highest priority.

4.93 These are significant achievements and represent an enhancement of the CPMF. Together with the Gateway Reviews, they have reduced risks and put Centrelink in a position where it can better control the achievement of objectives and deliver benefits. However, Centrelink would benefit from undertaking Gateway 3 and 4 reviews of all significant projects as this would ensure that any lessons and necessary follow-up work were identified and that the actual benefits from the projects were fully assessed. Reviews at critical points during high risk procurements would also help to ensure that the procurements are well managed.

4.94 While Centrelink's approach to programme management for Refresh has some significant strengths, there are some areas where it is not yet mature. In particular, there is scope for improvement in terms of benefits realisation. To gain the most benefit from the investment of the resources involved, benefits need to be more accurately assessed and the experience garnered by the agency over time in terms of this aspect of programme/project management needs to be more fully integrated into a strategic project management

approach. With changing deliverables and changing objectives, it is essential not only to determine what benefits have been delivered, but also to ensure that the the benefits of Refresh will continue to be delivered after the ending of Refresh Budget funding in July 2008.

4.95 Another key area requiring improvement is in terms of ensuring that there is more active engagement of the relevant business areas. A common finding in Gateway Review reports and project closure reports for Refresh projects was that there was/had been inadequate business ownership and supervision and that this was/or had been impacting on the quality of the project outcome. It is important that business needs should dictate what IT infrastructure is provided, but this will not happen without the active engagement of business owners.

4.96 At the individual project level, there is also a need to seek greater uniformity in terms of management practices, particularly scheduling and time management. From a review of project schedules, the ANAO noted that there was a considerable difference in the quality of the schedules. The opportunity exists to obtain benefits from improving these aspects of project management during the final year of Refresh.

4.97 The level of transparency achieved by the RPO in its reporting to the Oversight Committee is not necessarily matched in all cases by the reporting provided by project teams to the RPO. This needs to be improved. Part of the reason for the shortcomings in reporting from the individual Refresh projects to the RPO may lie with the fact that the project teams are accountable, in different ways to three different authorities: the Centrelink IT organisation, the RPO and the relevant business owner.

4.98 The ANAO considers that the RPO needs to monitor indirect expenses as these are part of the overall cost of Refresh, notwithstanding that responsibility for determining these expenses rests with the Budget and Management Accounting Branch, which has the required accounting skills. The RPO needs to keep track of the overall cost of Refresh and how it is being applied so that it can report to the Oversight Committee on this and on variations to the original Budget allocations.

4.99 Overall, the ANAO considers that both the oversight arrangements and Centrelink's internal governance and programme management arrangements have been effective in helping Centrelink to meet its commitments to the Government under Refresh.

4.100 A future challenge for Centrelink will be to ensure that the considerable amount that has been learnt in terms of good programme and project management is not dissipated as the Refresh Programme Office is dismantled at the end of Refresh. Some of the key lessons of Refresh are that:

- there are significant benefits in having strong accountability mechanisms in place, such as the external accountability that occurred through oversight by the Oversight Committee and annual reporting to the Government in the Budget context;
- there are benefits in having independent reviews of programmes and projects, such as occurred through the Mid-term Review of Refresh and the Gateway Reviews. These help to identify key issues that need to be addressed by management and enable appropriate remedial action to be taken; and
- the need to ensure that there is strong involvement of business areas (and it is the business areas that need to guide and direct the future application of the capacity that has been developed through Refresh).

4.101 The integration of the old Centrelink Project Management Office into the Refresh Branch gives Centrelink the opportunity to ensure that good programme and project management frameworks can be promoted in the future.



Ian McPhee
Auditor-General

Canberra ACT
19 December 2007

Appendices

Appendix 1: Centrelink online services as at 30 June 2007

The following online services were available on the Centrelink Web site as at 30 June 2007. Unless otherwise indicated (*), registration is required to access these services.

Service Category	Service
Reporting	Report employment and activity test details View reporting dates View your employment income View income bank balance View working credit balance
Income and assets	View your income and asset summary View your other government payments View your shares View your savings accounts Advise parental income*
Payment enquiries	View payment history View or update your payment destination Centrelink/Family Assistance rate estimator*
Reminders and letters	View online letters Electronic reminders
Family Assistance	View family income history Update family income estimate Family Tax Benefit child reviews Advise non-lodgement of your tax return Advise return to work
Child care	View child care details View 30% child care tax rebate View approved child care benefit Add or remove child care centres Update your work, training or study details Update child schooling details
Online claims	Make an online claim for a student Make an online claim for an Australian apprenticeship or traineeship Make an online claim for a child Make an online claim for retirement View or update your online claims

Service Category	Service
Money you owe	View the money you owe Make a repayment
Advance payments	Check eligibility for an advance payment Apply for an advance payment View your advance payment details
Deductions	Update your deductions
Study details	View your study details Report future study intentions
Personal details	View your appointments with Centrelink View your address details View your accommodation details View your contact details Update your address, contact or accommodation details
Cards and statements	Request a document View and print your income statement
Self service access	Change your password Set your secret questions and answers Cancel your registration Upgrade your registration

* Registration not required

Source: <http://myaccount.centrelink.gov.au/wps/portal/srv_1_about_online_services>.

Appendix 2: Projects by sub-programme

Centrelink varied the Refresh sub-programmes during the period of Refresh. This listing has been compiled by the ANAO based on the current Refresh sub-programmes. Projects that were completed before the new sub-programmes came into effect may have been categorised under now defunct sub-programmes. Others may have been transferred from one sub-programme to another during the course of Refresh. Finally, the titles of some projects changed during the course of Refresh. Where this is the case, the ANAO has:

- (a) listed the projects under what it believes to be the most appropriate current sub-programme;
- (b) categorised the projects under the most recent sub-programme; and
- (c) used the most recent project title.

Sub-programme	Project	Status (as at 1 July 2007)
Business Intelligence		
	8.1 Enhanced Information Delivery - Market Testing	Closed
	8.2 Content Management Planning and Requirements	Closed
	8.5 Cross Platform Data Integrity	Closed
	8.6 Shared Enterprise Data	Closed
	8.9 Enhanced Metadata Management	Closed
	8.10 Customer Data Integrity Error Reporting	Closed
	8.11 BI Services Strategic Plan	Closed
	8.12 Architecture for BI Delivery	Closed
	8.13 Business Information Model	Closed
	8.20 Improved Management Information Capability	Ongoing
	8.21 Business Definitions Registry	Completed
	8.30 Online Services Content Management	Closed
	8.41 Online Customer Detail Accuracy	Ongoing
	8.42 End-to-End Data Quality	Ongoing
Foundation Infrastructure		
	5.6 Web Application Performance	Completed
	5.7 Mainframe Tuning	Completed
	5.9 Midrange Compute and Storage Platform	Ongoing

Sub-programme	Project		Status (as at 1 July 2007)
	5.10	Legacy Middleware Rationalisation	Ongoing
	5.11	Telephony Channel Application Migration	Ongoing
	6.1	Enhanced Data Network	Completed
	7.2	Service Management Processes and Tools	Completed
	7.3	Security Management for Internal Users	Ongoing
	7.6	I&T Infrastructure Operations Capability (CNOC)	Completed
Online Services			
<i>Online Services (Business Projects)</i>			
	1.2	Customer Portal	Completed
	1.3	Third Party Electronic Interaction	Ongoing
	1.5	Participation Contact Arrangements	Closed
	1.8	Staff and Agents Online Services	Completed
	1.9	Common Look and Feel	Completed
	1.10	Agents Online Services	Completed
	1.11	Organisational Identities	Completed
	1.12	Service Interface	Completed
	1.13	Org Central	Closed
	1.14	Cross Agency Portal	Completed
	3.2	Duplicate CRN Clean-Up	Completed
	3.3	Online Document Recording (ODR) Enhancements	Completed
	3.4	ISIS Asset Upgrade	Completed
	4.1	Business Process Management	Closed
	9.1	Service Oriented Architecture	Completed
	9.2	Architecting Centrelink's Distributed Online Environment	Ongoing
<i>Online Services (Infrastructure Projects)</i>			
	1.7	Foundation Portal Services	Ongoing
	5.1	Multiplatform Environments	Closed
	5.2	Enhance Middleware Capability	Completed
	5.3	Web Platform	Closed
	7.1	Standard Application Development Environments (ADEs)	Ongoing

Sub-programme	Project		Status (as at 1 July 2007)
	7.4	Enhanced DBMS Capability	Completed
	7.5	Security Management for External Users	Ongoing
Savings Initiatives			
<i>2.0 Savings and e-Business Connections</i>			
	2.2	Customer Confirmation e-Service	Completed
	2.3	Real Estate Valuations	Ongoing
	2.4	Rent Assistance Savings	Closed
	2.5	Mainframe Debt Calculations	Completed
	2.6	Financial Institution Data Verification	Ongoing
	2.7	Sole Traders and Partnerships	Ongoing
	2.8	Income Confirmation Integration	Completed
	2.9	Reengineered Compliance Activity	Completed
	2.10	Rent Assistance Departmental Savings	Completed
	2.11	Compensation e-Business	Ongoing
	2.12	CSHC - Income Verification	Completed
	3.5	Debt Management Redevelopment	Closed
	3.6	Financial Investment System Redevelopment	Closed
	3.7	CAS Enhancements	Closed

Status Key:

- Closed: The project was closed before its scheduled completion date, perhaps because of a restructure of activities or because the project was not performing well.
- Completed: The project ended on or around its scheduled completion date and most of its scheduled activities were completed. Some incomplete activities may still have to be taken up by other projects.
- Ongoing: The project is still ongoing in 2007–08.

Appendix 3: Agency responses

The following pages contain scanned images of agencies' responses to the draft audit report.

Centrelink and the Department of Human Services

The first is Centrelink's response. It was accompanied by three attachments. The first provided Centrelink's response to each of the three recommendations as follows:

- Recommendation 1 — Agree;
- Recommendation 2 — Agree; and
- Recommendation 3 — Agree.

The second attachment provided Centrelink's summary response for inclusion in the summary section of the report and the report brochure, as follows:

Centrelink welcomes the ANAO audit report on Centrelink's IT Refresh Programme. The report is recognition of Centrelink's ability to manage large IT projects, and provide sophisticated access and improved service delivery for customers and government. The report recognises that Centrelink has met its commitments to government by effective oversight, internal control and management. The audit is acknowledgement of the progress Centrelink has made in project and programme management approaches.

The third attachment provided editorial comment on aspects of the report and was not intended as formal comment for inclusion in the final report.

The second response to the draft audit report was provided by the Secretary of the Department of Human Services.

Other agencies' responses

Agencies represented on the IT Refresh Oversight Committee were provided with a relevant extract of the draft audit report and invited to provide comments. The ANAO received responses from the Department of the Prime Minister and Cabinet, the Department of Families, Community Services and Indigenous Affairs, the Department of Employment and Workplace Relations and the Department of Finance and Administration. These responses follow those of Centrelink and the Department of Human Services.

30 November 2007

Mr John Meert
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601



Dear John

Performance Audit – Centrelink's IT Refresh Programme

Thank you for the opportunity to comment on the proposed Australian National Audit Office (ANAO) report on Centrelink's *IT Refresh Programme*. I welcome this audit report and the ANAO's acknowledgement of Centrelink's effective and innovative approach to programme management. Centrelink also appreciates the collaborative manner in which the audit was conducted.

I am pleased the report recognises that Centrelink has met its commitments to Government by effective oversight, internal control and management. Centrelink has:

- increased the range of services Centrelink's customers are now able to access online;
- significantly advanced the development of the capability to provide online services for private sector organisations that will enable them to verify customer circumstances and to exchange information;
- reduced the risk of service compromise or failure due to the ageing of its systems that existed at the start of Refresh; and
- established an Enterprise Data Warehouse that will provide the capability to substantially improve its management information.

The report raises issues of how large scale IT developments should be managed, and assesses the effectiveness of the Centrelink approach. We would be very pleased if the ANAO drew on our lessons learned to promote Better Practice in Project Management for the Australian Public Service.

AUDIT-IN-CONFIDENCE

Chief Executive Officer
Box 7788 Canberra Business Centre ACT 2610 Telephone: (02) 6212 0168 Facsimile: (02) 6212 0123
www.centrelink.gov.au

Centrelink agrees with the 3 recommendations in the report. Attachment A to this letter details our response to the draft report recommendations.

Attachment B provides a short summary of our comments to be used in the summary section of the report and report brochure.

Attachment C outlines some further comments for the consideration of the Auditor-General. These are not intended as formal comments for publication in the report.

If you would like any further clarification on these comments please contact Ms Elaine Ninham, National Manager, Project Coordination & Refresh Branch on (02) 6211 5880.

Yours sincerely



Jeff Whalan
Chief Executive Officer

cc Ms Helen Williams
Secretary
Department of Human Services

AUDIT-IN-CONFIDENCE



Australian Government
Department of Human Services

Helen Williams AO
Secretary

Mr John Meert
Group Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Mr Meert

Thank you for providing a copy of the proposed audit report "*Centrelink IT Refresh programme*" for comment, pursuant to section 19 of the *Auditor-General Act 1997*.

The Department offers the following response:

The Department of Human Services (DHS) welcomes the report by the Australian National Audit Office (ANAO) and acknowledges the importance of improving customer service, particularly in the context of the increased IT capacity.

DHS welcomes the ANAO's findings that Centrelink, through Refresh, has met its commitments to Government effectively, and that the five year Centrelink IT Refresh programme (IT Refresh) has significantly advanced the capability to provide online services for private sector organisations that will enable the verification of customer circumstances and exchange of information, improved customer access online, and reduced risk of compromise or failure of systems.

DHS also welcomes the ANAO's finding that the programme management for IT Refresh has worked well, and the constructive recommendations aimed at providing opportunities for sustainability.

DHS agrees that the challenge for Centrelink is to ensure that the considerable knowledge and experienced gained during the IT Refresh Programme about good programme and project management are applied in the future, and notes the need to undertake procurement reviews for independent assessment of high risk IT procurements.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'Helen Williams'.

Helen Williams

29 November 2007

PO Box 3959, Manuka ACT 2603 • Telephone (02) 6223 4410 • Facsimile (02) 6223 4489
Internet www.humanservices.gov.au

AUDIT-IN-CONFIDENCE



Australian Government

Department of the Prime Minister and Cabinet



ONE NATIONAL CIRCUIT
BARTON ACT

SECRETARY

SEC 2007/ 2226

22 November 2007



Ms Fran Holbert
Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

Dear Ms Holbert

Thank you for your letter of 9 November 2007 inviting comments on the draft performance audit of Centrelink's IT Refresh.

We have no comments on the draft. I am advised that it strongly correlates with this Department's experience on the Oversight Committee, and indeed our positive view of the way the programme has been run and its outcomes to date.

You may be aware that a number of the aspects of the IT Refresh's governance, which your report has positively noted, are being promoted by the Cabinet Implementation Unit as better practice to other departments and agencies.

Yours sincerely

(Dr Peter Shergold)

AUDIT-IN-CONFIDENCE

Postal Address: PO Box 6500, CANBERRA ACT 2600
Telephone: +61 2 6271 5200 Fax: +61 2 6271 5935 www.pmc.gov.au ABN: 181 080 0191



Australian Government

Department of Families, Community Services
and Indigenous Affairs

Ms Fran Holbert
Executive Director, Performance Audit Services Group
Australian National Audit Office
GPO Box 707
Centenary House
19 National Circuit
BARTON ACT

Dear Ms Holbert

**PERFORMANCE AUDIT - CENTRELINK'S INFORMATION TECHNOLOGY (IT)
REFRESH PROGRAMME**

Thank you for providing the opportunity to comment on the extract of the performance audit on Centrelink's IT Refresh Programme conducted by the Australian National Audit Office (ANAO).

The extract, which deals with the oversight arrangements for the programme, provided through the Refresh Oversight Committee, has been examined. This department accepts the ANAO's findings as outlined in the extract.

I understand the report also examines the delivery of improved business intelligence under the programme. FaCSIA is looking forward to working with Centrelink in this phase of the IT Refresh Programme, as it is a key business information user of Centrelink data.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'R. J. McKay'.

Robyn McKay
Deputy Secretary

22 November 2007



Australian Government
Department of Employment and
Workplace Relations

National Office

GPO Box 9879 CANBERRA ACT 2601

Ms Fran Holbert
Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601

**Subject: ANAO PERFORMANCE AUDIT – CENTRELINK'S IT REFRESH
PROGRAMME**

Dear Ms Holbert

I refer to your letter of 9 November 2007 to Dr Boxall, inviting the department to comment on an extract from the proposed audit report for the Centrelink *IT Refresh* Audit pursuant to Section 19 of the Auditor-General Act 1997.

The following comments are for inclusion in the IT Refresh Audit Report:

DEWR agrees with the finding that the Refresh Oversight Committee has worked well for this large programme, though DEWR does not believe similar arrangements would necessarily suit all IT projects.

DEWR has supported the appointment of a specialist adviser to the Committee to provide independent technical advice to Committee members. This appointment has been of value and DEWR agrees with the ANAO that the role played by the Specialist Adviser has been effective.

DEWR also supports the finding that reporting of issues to the Committee has improved over the life of the project. DEWR has been satisfied with the improvement in the escalation of critical issues when problems have arisen.

The department appreciates the opportunity to comment on this extract from the Centrelink *IT Refresh* Audit Report.

Yours sincerely

Christine Leary
Chief Internal Auditor

23 November 2007

Telephone: 02 6121 6000

Internet: <http://www.dewr.gov.au>

ABN 40 376 417 416



Australian Government
Department of Finance and Administration

Our Ref: ESEC006508

[Handwritten signature]
27/11

Ms Fran Holbert
Executive Director
Performance Audit Services Group
Australian National Audit Office
GPO Box 707
CANBERRA ACT 2601



Dear Ms Holbert

I refer to your letter of 9 November 2007 to Dr Watt regarding the proposed audit report on Centrelink's IT Refresh programme due to be tabled in Parliament in December 2007. Dr Watt has asked me to respond to you on his behalf.

I have reviewed the extract attached to your letter and wish to advise that Finance has no comments to make.

Thank you for the opportunity to comment.

Yours sincerely

[Handwritten signature of John Ignatius]

John Ignatius
First Assistant Secretary
Social Welfare Division
22 November 2007

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