

MEDIA RELEASE**15 December 2023**

Human Resources Information Management System (HRIMS) Program

ACT Auditor-General, Mr Michael Harris, today presented a report on the **Human Resources Information Management System (HRIMS) Program** to the Speaker for tabling in the ACT Legislative Assembly.

As part of the *2017-18 ACT Budget* \$15.0 million was approved for the design and implementation of a new whole-of-government Human Resources Information Management System (HRIMS). The HRIMS Program commenced and significant time, effort and resources were directed to the program. By June 2023, when work on the HRIMS Program stopped, at least \$77.63 million had been spent on the HRIMS Program with only one module, the Learning Management System, being delivered.

The audit considered the effectiveness of the planning for, and management of, the HRIMS Program.

The audit found that the Territory failed to account for the complexities of the ACT Public Service industrial relations environment when developing and implementing the HRIMS Program. A key feature of the HRIMS Program was the harmonisation of HR management and payroll processes across the ACT Public Service. This was never achieved, and the Territory never reached a point where it had a clearly defined, complete and accurate business model that was supported by directorate and agency stakeholders.

The audit also found that program governance and administrative arrangements and program monitoring and assurance arrangements were poor as was the planning for, and management of, the contract with EY as the Implementation Partner.

Mr Harris says 'the HRIMS Program was a significant failure for the Territory, with every aspect including its planning, governance and administration and management arrangements characterised by multiple failures at all levels'.

The audit report makes one recommendation for the ACT Government to develop, and table in the ACT Legislative Assembly, a comprehensive plan that details the actions to be taken by the Territory to address the failures identified in the report.

The **Human Resources Information Management System (HRIMS) Program** performance audit report is available to download from the ACT Audit Office's website www.audit.act.gov.au. If you need assistance accessing the report, please phone 6207 0833.

SUMMARY

As part of the *2017-18 ACT Budget* \$15.0 million was approved for the design and implementation of a new whole-of-government Human Resources Information Management System (HRIMS). The funding sought to:

... deliver an ICT solution that optimises payroll services' integration with effective Human Capital Management (HCM) for ACT Government. This will increase efficiency, improve service delivery and allow the ACT Government to assume a more strategic approach to managing its human capital.

Work commenced on the HRIMS Program in March 2017. The Program was estimated to take 29 to 39 months to complete.

The audit considered the effectiveness of the planning for, and management of, the HRIMS Program.

Overall Conclusion

The HRIMS Program was a significant failure for the Territory.

At least \$77.63 million was spent on the HRIMS Program with only one module, the Learning Management System, being delivered.

Every aspect of the HRIMS Program, including its planning, governance and administration and management arrangements, was characterised by multiple failures at all levels.

Chapter conclusions

HRIMS PROGRAM HISTORY

The HRIMS Program was initially approved as part of the *2017-18 ACT Budget* at a total cost of \$15.0 million. Two subsequent Business Cases, as part of the *2019-20 ACT Budget* and *2022-23 ACT Budget*, increased the total approved funding to \$72.2 million.

In June 2023 work on the HRIMS Program stopped. The total cost of the HRIMS Program as at 30 June 2023 was \$77.63 million. This does not include significant costs incurred across directorates and agencies who were participating in, and assisting with, the implementation of the program.

A *2023-24 Budget Business Case* recommended a different approach for the Territory's human resources information management system requirements, at an estimated cost of \$65.12 million. The approach going forwards is smaller in scope and scale and predicated on using existing systems and infrastructure. The revised approach was agreed to and the *2023-24 ACT Budget* provides for

a total additional spend of \$34.53 million, of which an initial allocation of \$16.44 million is provided in the 2023-24 financial year.

PLANNING FOR THE HRIMS PROGRAM

Planning for the HRIMS Program was poor.

The Territory failed to account for the complexities of the ACT Public Service industrial relations environment when developing and implementing the HRIMS Program. A key feature of the HRIMS Program was the harmonisation of HR management and payroll processes across the ACT Public Service. This was never achieved. The Territory never reached a point where it had a clearly defined, complete and accurate business model that was supported by directorate and agency stakeholders.

The Territory failed to finalise and endorse basic program management documents for the HRIMS Program. Two Program Plans were prepared, but were never finalised, approved or endorsed by relevant governance bodies. Complexities and key risks associated with harmonisation of HR and payroll systems across the ACT Public Service were therefore not appropriately planned for.

These failings contributed to a loss of control in the implementation of the HRIMS Program.

GOVERNANCE AND ADMINISTRATIVE ARRANGEMENTS

Governance and administrative arrangements for the HRIMS Program were poor.

As the HRIMS Program progressed there were multiple redesigns of the Program's governance arrangements, including the roles and responsibilities of the two governance bodies (the Program Board and Steering Committee). This led to:

- confusion for governance body members with respect to their roles and responsibilities;
- a practical merging of responsibilities across the governance bodies; and
- a reluctance on the part of governance bodies to make critical decisions.

Program monitoring and assurance arrangements were poor, including quality assurance, program reporting and risk management activities. Although risks and issues were reported to governance bodies, the governance bodies did not appropriately recognise and manage the risks and issues.

The HRIMS Program was a complex program for the Territory; it was a significant cross-directorate initiative that involved harmonising and uplifting HR management capabilities across the Territory. The HRIMS Program was not effectively oversighted by the Strategic Board.

CONTRACT WITH EY

The Territory's planning for, and management of, the contract with EY was poor.

The Territory engaged EY through an overarching Deed of Standing Offer (Head Agreement) and associated Work Order in April 2019. The value of the executed contract was \$18,009,920 (GST exclusive).

A Statement of Work identified a total of 21 Milestones and 74 Deliverables associated with the services. The Territory was identified as 'accountable' for 14 of the Deliverables and EY was 'accountable' for 60 of the documented Deliverables. Both the Territory and EY were equally 'responsible' for 56 (or 76 percent) of the Deliverables. Making each party 'responsible' meant that it was not clear which party was ultimately responsible for taking the lead on the Deliverable.

Contract management foundation documents, such as a Contract Management Plan or Risk Management Plan, were not finalised or endorsed. The Work Order, and Statement of Work, outlined high-level requirements for a Performance Management Framework but provided for its practical details to be subsequently developed. By not developing and agreeing the details of the Performance Management Framework at the outset, the Territory was subsequently hampered in its efforts to implement robust performance management practices.

DELIVERY OF SERVICES

The Territory's processes for the review and acceptance of services provided by EY were poor.

Acceptance processes for the Program's Deliverables and Milestones were not documented in the Head Agreement or Work Order, but a Project Plan (prepared by EY, 'Accepted' by the Territory but not formally 'Endorsed' by the Program Board or Steering Committee) did identify an end-to-end Deliverable and Milestone Acceptance Process.

The Statement of Work described high-level Acceptance Criteria for Milestones but did not describe a process for the review and acceptance of the Milestones. The Project Plan allowed for the Senior Director (HRIMS Program) to 'accept' the Milestone and approve the payment of an invoice to EY after which the Milestone was to be 'reported to the Program Board and Steering Committee as accepted'. Such an arrangement did not allow for one or both of the HRIMS Program's governance bodies to have a role in formally approving the completion of Program Milestones.

The Territory also executed six (6) variations to the Work Order. These variations significantly altered the original terms, Deliverables, and value of the services to be performed. The multiple and ongoing changes to the services to be performed complicated the management of the contract with EY and the broader HRIMS Program.

A total of \$23.15 million was paid to EY for its services. Payments were made for Milestone acceptance and delivery (38 percent), ad-hoc / additional services performed (four percent) and to settle claims for delays incurred by EY and the termination of the contract (58 percent).

Key findings

HRIMS PROGRAM HISTORY

Paragraph

HRIMS modernisation feasibility studies

In July 2005 the Territory implemented the Chris21 system for payroll and HR services. Over time, capability and functional limitations of Chris 21 were identified. Three feasibility studies for a replacement system were conducted between 2011 and 2016. The first feasibility study was conducted in 2011 and estimated the cost of a replacement HRIMS to be \$15.1 million. The second feasibility study was conducted in 2013 and estimated the cost of a replacement HRIMS to be \$36.0 million. A third feasibility study conducted in 2016 identified four potential options for a replacement HRIMS, of which two were identified as preferred. The 2016 Feasibility Study Final Report did not recommend one option over the other to allow for flexibility in the process, but recommended the options be pursued through a 'market engagement process' at a cost expected to be in the order of \$13.2 million to \$14.6 million.

2.18

Budget Business Cases

Based on the information provided in the Feasibility Study Final Report, CMTEDD presented a *2017-18 Budget Business Case* to the Budget Committee of Cabinet. The overall estimated costs associated with a full HRIMS implementation was \$15.0 million, an equivalent of \$761.50 per employee at the time. The *2017-18 Budget Business Case* noted that the full-scale benefits would be contingent on directorates and agencies agreeing to re-engineer their business processes and implement workforce changes. The *2017-18 Budget Business Case* was agreed to and funding of \$15.0 million was approved.

2.33

A *2019-20 Budget Business Case* was submitted for supplementary funding for the HRIMS Program. The additional funding was identified as necessary due to adjustments to the initial budget estimates following the testing of early assumptions (from the 2016 Feasibility Study Final Report) against program planning, assurance activities and the inclusion of additional cost considerations. A key factor for the additional funding was 'planning activities that determined requirements to integrate with approximately 28 business systems across Directorates. The extent and complexity of this integration, including data cleansing and migration was not fully accounted for in the original business case'. Additional funding of \$49.59 million was agreed to which brought the total investment to \$64.59 million, an equivalent of \$2,633 per employee at the time. This included funding to engage an

2.45

Implementation Partner. EY were subsequently engaged as the Implementation Partner from April 2019.

In August 2021, the HRIMS Program Steering Committee acknowledged that the delivery of the HRIMS Program was significantly behind schedule and approved the commencement of a 'reset' to the Program. Following attempts to form an agreement on the way forward for the HRIMS Program as part of the reset, on 10 December 2021 the Territory issued a formal Notice of Termination for Convenience to EY as the Implementation Partner. The HRIMS Program 'reset' also included a review of the current state of the HRIMS Program, carried out by Deloitte Risk Advisory Pty Ltd and a review of the HRIMS solution design, carried out by SAP Services. 2.56

Following the completion of the reviews of the HRIMS Program, CMTEDD submitted a third Budget Business Case in 2022-23 to 'assess the progress made to date by the HRIMS Program and previous System Implementation Partner and to determine the scope of work remaining, including benefits validation, and the time and cost required to finalise and deliver the new HRIMS for the ACT Government'. The *2022-23 Budget Business Case* identified a 'high-level gap fit analysis' would be undertaken as well as a 'business process rationalisation body of work'. The approved cost of this work was \$3.7 million, bringing the total approved funding to \$68.29 million. 2.68

As a result of the work that was completed during the Program 'reset', a *2023-24 Budget Business Case* was prepared and presented to Cabinet for its consideration in May 2023. The *2023-24 Budget Business Case* presented three options for progressing the government's human resources information management system requirements. The preferred option recommended a stop to 'all work to implement the remaining SAP SuccessFactors modules as the replacement HRIMS for the ACT Government' and the '[closure] of the HRIMS Program and [establishment of] a Capability Sustainment Program with a refined scope that focuses on essential elements of HR capability only', at an estimated cost of \$65.12 million. The *2023-24 Budget Business Case* was agreed to, with the *2023-24 ACT Budget* providing for a total additional spend of \$34.53 million, of which an initial allocation of \$16.44 million is provided in the 2023-24 financial year. As of 30 June 2023, actual expenditure on the HRIMS Program was \$77.63 million (GST exclusive). The approach going forwards is smaller in scope and scale and predicated on using existing systems and infrastructure. 2.75

PLANNING FOR THE HRIMS PROGRAM

Paragraph

Program plan

Two Program Management Plans (Program Plans) were prepared for the HRIMS Program; the first in 2018 and the second in 2019. Neither plan was finalised, approved or endorsed by the relevant governance bodies, namely the HRIMS Program Board or HRIMS Steering Committee. The 2019 draft Program Plan was more advanced than the 2018 draft Program Plan and offered more detail and clarity in several areas, but was also deficient in other areas, e.g. resource management and risk management. By not having a finalised and approved Program Plan, the risk of 3.17

ineffective management, execution and control of the HRIMS Program increased significantly.

Scope and objectives

Both draft Program Plans appropriately identified a series of broad streams of activity that were required to achieve the level of transformational change associated with the HRIMS Program's overall vision. In doing so, the 2019 draft Program Plan provided greater detail and information with respect to the activities/outputs associated with the workstreams. 3.34

Throughout 2019 there was an increasing focus on the IT solution to the detriment of other projects and activities that were necessary for the HRIMS Program. As the Program progressed in 2019, it increasingly focused on the implementation of the IT solution and EY's Deliverables. Projects that were identified in the 2018 draft Program Plan roadmap that were required to deliver against the HRIMS Program's overall objective were not reflected in timeframes and schedules developed for the purpose of the 2019 draft Program Plan. The broad roadmap of projects that aligned with the Program's objective was replaced by a generic two-year schedule for three releases of the IT solution. 3.35

The Territory currently has 18 Enterprise Agreements in place. The variation between the Enterprise Agreements is illustrated by the 5,213 payroll calculation rules and 11,009 leave type rules that are currently processed through the existing payroll system. The harmonisation of HR management and payroll processes across the ACT Public Service was identified as a feature of the HRIMS Program in both the 2018 draft Program Plan and the 2019 draft Program Plan. As part of planning for the HRIMS Program, the differences across Enterprise Agreements were identified as a risk, but the significance of the risk, and the level of effort required to reach a standardised blueprint across all directorates, was under-estimated. 3.43

The differences between the Territory's 18 Enterprise Agreements were a contributing factor to the HRIMS Program's inability to reach consensus on standardised HR management processes across all directorates when developing functional and non-functional requirements into a target blueprint for the desired future state. This was a key feature of the HRIMS Program, which was described as the 'business process harmonisation and adoption' project (according to the 2018 draft Program Plan) or the 'HRIMS solution design and analysis' workstream (according to the 2019 draft Program Plan). This component of the program was never completed. 3.55

Some progress was made, and harmonised business processes were identified in a series of 'blueprint' documentation for functional areas including *Payroll and Time, Recruitment and Onboarding* and *Workforce Administration* modules. However, the business processes identified in the blueprint documentation were not accepted by directorates and further consultations through 2020 and 2021 identified process variations in directorates that led to an update to the blueprints. The Territory never reached a point where it had clearly defined requirements or a complete and 3.56

accurate business operating model that was accepted by stakeholders and could be supported by the IT system.

The purpose of Change Control is to identify, assess and control any potential changes to the Program and its project baselines. In a governance sense, a Change Control process seeks to ensure that changes required to a project, product or Deliverable are assessed and introduced in a controlled and coordinated manner. Between 10 September 2019 and 23 November 2021, the HRIMS Program's Change Register recorded 88 change requests. 3.67

The HRIMS Program was characterised by poor Change Control. A fundamental premise of Change Control is to identify and establish change request priority levels. Change request priority levels were not defined in the Program Plans or associated processes. None of the approved change requests considered for the purpose of the audit had an identified priority level. There was evidence of approval for only 19 of 51 change requests (38 percent) shown as approved in the HRIMS Program's Change Register. The 19 change requests for which there was evidence of approval were approved by the HRIMS Program Director. These included change requests to defer contractual Deliverables and work products to future milestones, which would appear significant enough to warrant governance body approval. 3.68

Benefits management

Benefits management is the identification, definition, planning, tracking and realisation of benefits associated with a program. Both the 2018 draft Program Plan and 2019 draft Program Plan identified an intention to practise benefits management for the HRIMS Program. However, the Territory's foreshadowed management of benefits with project management discipline did not occur. There was no Benefits Register, nor was a Benefits Realisation Plan prepared for the HRIMS Program. There was no reporting of benefits by the HRIMS Program team to the HRIMS Program Board or HRIMS Steering Committee. The lack of planning, management and monitoring of benefits, through a disciplined approach, meant that the likelihood of the HRIMS Program achieving its expected benefits was significantly reduced. 3.85

GOVERNANCE AND ADMINISTRATIVE ARRANGEMENTS

Paragraph

Program governance

The HRIMS Program comprised multiple projects or workstreams, each of which aimed to deliver specific outputs that each contributed to the program's overall vision. A Project Management Plan (Project Plan) was prepared by EY as a Deliverable under its contract in May 2019 and, following several iterations, was revised to version 1.01 in December 2019. The Project Plan was 'Accepted' by the Territory but not formally 'Endorsed' by the Steering Committee or Program Board. The Project Plan was not explicit as to what aspect of the HRIMS Program it related to, including how it aligned with the draft Program Plans. It is not clear which of the projects identified in the 2018 draft Program Plan or workstreams identified in the 2019 draft 4.12

Program Plan it related to, except to say that it related to ‘the activities of the solution’s implementation alone’.

There was no similar project management approach, including project management artefacts, for the HRIMS Program’s other projects or workstreams. This was particularly problematic for the HRIMS Solution Design and Analysis and Organisational Design workstreams identified in the 2019 draft Program Plan. These activities were critical to the HRIMS Program, because a clearly defined desired target (future) state of HR management across the Territory and a clearly specified set of requirements describing how the system should support that state, were key dependencies for delivering an HR system capable of meeting the Territory’s needs. 4.13

The HRIMS Program’s governance arrangements changed over the course of the program. Between the commencement of the HRIMS Program in March 2017 and the program’s reset in August 2021 there were three different high-level governance arrangements and two different positions fulfilled the role of chairperson of the HRIMS Program Board, which was later known as the HRIMS Steering Committee. These positions were filled by five different individuals. Feedback provided to the Audit Office, by governance committee members, indicated that members themselves considered the governance arrangements ineffective for a variety of reasons. 4.33

In May 2019, the second set of governance arrangements for the HRIMS Program was implemented with a view to promoting more rapid decision making. The revised governance arrangements were ineffective in practice. By March 2021, attendance at the two key governance groups had shifted to the point where there was little practical difference between membership of the (top level) HRIMS Steering Committee and the (supporting) HRIMS Program Board. Discussions at one group often continued in the other; the two groups had become one, with an operational focus. At the (supporting) HRIMS Program Board, there were also ongoing changes in directorate representation, and it was difficult to reach consensus on operational matters and considerations. 4.34

The third set of governance arrangements was introduced in March 2021, in which the two key governance groups were amalgamated. A new HRIMS Steering Committee was implemented, which had both strategic and operational responsibilities. The HRIMS Steering Committee had responsibility for high-level strategic decisions relating to budget, benefits, policies, resourcing, assessing requests for change and ensuring effort and cost was appropriate, as well as operational responsibilities for ‘making design decisions consistent with the Program’s principles’. Under the third set of governance arrangements the HRIMS Steering Committee was attended by an average of 25 people and consensus was often unable to be reached. Attendees regularly sent papers back to the originating authors for additional information/clarification of decisions. These decisions were typically related to solution design matters. 4.35

A Quality Management Plan was drafted in June 2019 and, following several iterations, was revised to version 1.0 in September 2019. It is not clear who approved the document. There was no evidence that this document was reviewed and 4.60

endorsed by the HRIMS Program Board or the HRIMS Steering Committee. The Quality Management Plan provided information on *potential* program assurance activities.

Notwithstanding the lack of systematic program assurance activities for the HRIMS Program, there was evidence that limited assurance activities were undertaken, including a program assurance review of the HRIMS Program in December 2017 and a series of Gateway reviews. The outcomes from these activities were reported to the Senior Responsible Owner, but reports arising from these assurance reviews were not tabled at meetings of the HRIMS Program Board or HRIMS Steering Committee. There is no evidence that the reports of these reviews were shared with the Program's governance bodies. 4.61

Projects Assured was engaged as an 'assurance partner' in December 2019 for the HRIMS Program. The Work Order for the services briefly described the activities to be undertaken, but no further information on the nature and purpose of the 'assurance partner' role, the timing of assurance activities and the nature of deliverables that were to be provided was developed. A plan for Projects Assured's activities was not produced, including information on the nature and purpose of the 'assurance partner' role, the timing of assurance activities and the nature of deliverables to be provided. Over the course of its engagement, in 2020 and 2021, Projects Assured did not produce or provide any written reports. Projects Assured was paid a total of \$140,181 (GST exclusive) for its services. 4.62

Program reporting

The HRIMS Program was a complex program for the Territory; it was a significant cross-directorate initiative that involved harmonising and uplifting HR management capabilities across the Territory. The HRIMS Program was not effectively oversighted by the Strategic Board. The Strategic Board received no formal advice regarding the HRIMS Program's performance between June 2019 and April 2021, a period in which the HRIMS Program on-boarded EY as the Implementation Partner and planned to deliver most of the activities set out in the draft Program Plans. The Strategic Board was not formally advised of the Program's performance or the revised governance arrangements that had been developed. Issues associated with the performance of the Program, the slippages experienced, and the challenges associated with business process harmonisation and adoption, were not formally reported to the Strategic Board until April 2021. 4.76

Both draft Program Plans described appropriate arrangements for performance reporting to the HRIMS Program's governing bodies. These arrangements included a standard format monthly program status report that was prepared by the HRIMS Program for the top-level governing body. The monthly program status report that was used to report HRIMS Program progress up to June 2019 was appropriate. 4.88

From June 2019 a modified monthly program status report was prepared. It was less informative. The modified status report included a single overall program status indicator to replace the eight performance criteria that was used previously. The modified monthly program status report presented financial information differently. 4.89

It provided a three-month view of actual vs planned expenditure but did not include information on the HRIMS Program’s overall financial position against approved funding year on year.

The modified monthly program status report was presented to the HRIMS Steering Committee on only four occasions in the two-year period between November 2019 and November 2021. For the other meetings a lengthy (four to six page) narrative status report was tabled, which was prepared by EY as the Implementation Partner. The narrative status report did not address all the topics and issues that would be expected of a program status report, and did not present information regarding benefits realisation, financial performance or performance indicators. The narrative status reports provided commentary regarding activity that involved EY but did not include commentary on workstream activity being undertaken by the Territory including, for example, the HRIMS Solution Design and Analysis and Organisational Design workstreams identified in the 2019 draft Program Plan.

4.90

Program risk management

The HRIMS Program’s risk management approach was generally consistent with accepted ACT Government risk management policy and practice. This included establishing, and maintaining, a risk register for the HRIMS Program that documented approximately 300 risks across all levels. However, the risk register provided to the Audit Office was not dated and it was not possible to ascertain when the risk register had last been updated. There were also duplicated risks across the register, which suggests that it was being updated by multiple people or functional areas.

4.98

Program schedule management

Key risks to the HRIMS Program were regularly reported to the HRIMS Steering Committee and HRIMS Program Board as a standing agenda item. However, a review of governance meeting minutes showed that the risks were not discussed and systematically resolved by these bodies. Furthermore, the HRIMS Program did not classify its risks and issues by level; risks were aggregated into the register as they were identified. This limited the effectiveness of the register and made it difficult for users (including the HRIMS Steering Committee and HRIMS Program Board) to identify, and manage, risks that were relevant to them.

4.103

A well-defined high-level schedule was developed for the HRIMS Program at its commencement, which aligned with the HRIMS Program Roadmap that was identified in the 2018 draft Program Plan. However, this high-level program schedule was not supported by detailed schedules for each of the constituent projects, such as the HRIMS Solution Design and Analysis and Organisational Design workstreams identified in the 2019 draft Program Management Plan. Other critical activities identified in the HRIMS Program Roadmap were similarly not scheduled, e.g. legacy system decommissioning. The absence of schedules for the Program’s other projects increased the risk of inadequate dependency management impacting overall delivery of the Program and benefits realisation.

4.116

Stakeholder engagement

Stakeholders were engaged through a combination of HRIMS Program communications, program, and directorate-specific workshops. These workshops highlighted HR management process complexities within directorates that should have been considered in the HRIMS Program's original requirements specification. Despite their identification, these issues were not revisited or addressed to stakeholders' satisfaction. As a result, stakeholders reported not feeling heard and subsequently did not buy in to the HRIMS Program's vision.

4.131

CONTRACT WITH EY

Paragraph

Contractual documentation

The Territory engaged EY through the execution of an overarching Deed of Standing Offer (the Head Agreement) (dated 17 April 2019) and a Work Order (dated 18 April 2019) that sought to define the work that was required and associated terms of engagement. The details of the Head Agreement and Work Order were reported in the ACT Government Contracts Register on 9 May 2019, although the Register erroneously identified the supplier as PLAUT IT Australia. The value of the executed contract was a fixed price of \$18,009,920 (GST exclusive).

5.12

The Work Order included a Statement of Work, as Annexure A, that further detailed the services that EY was to provide to the Territory. The Statement of Work included a Milestone Schedule (Clause 6), which identified a total of 21 Milestones. For each Milestone an indicative month for delivery was identified, as well as acceptance criteria, i.e. the conditions required for the milestone to be identified as satisfactorily completed. A Deliverables Matrix identified 74 Deliverables that were to be provided as part of the services. For each Deliverable, the Milestone to which it belonged was identified (with reference to each of the three releases) as well as acceptance criteria, i.e. minimum requirements for each of the Deliverables.

5.20

For each Deliverable, the role of the Territory and EY was also identified, as either: *Responsible, Accountable, Consulted or Informed*. The Territory was 'accountable' for 14 of the Deliverables and EY was 'accountable' for 60 of the documented Deliverables. However, both the Territory and EY were equally 'responsible' for 56 (or 76 percent) of the Deliverables. Although it is reasonable to expect that some of the Deliverables would require collaboration between the Territory and EY, making each party 'responsible' meant that it was not clear which party was ultimately responsible for taking the lead on the Deliverable. The ambiguity of such an approach placed the effective delivery of the services at risk.

5.21

Clause 12 of the Head Agreement provided for the payment arrangements for the services. Clause 12 provided for the Territory to pay EY 'the relevant Charges as set out in Schedule 4 - Pricing or the relevant Work Order'. *Schedule 4 - Pricing* of the Head Agreement provided for a fixed price amount for the three releases of the system, as well as an amount for 'business as usual support'. Clause 6 of the Statement of Work, which detailed the Milestones to be delivered, provided that

5.34

‘each Milestone is attached to a Milestone Payment as set out in Schedule 4 – Pricing’. Clause 6 of the Statement of Work identified all but two of the Milestones (being the first and last) as relating to either: Release 1; Release 2; Release 3; or BAU Support.

Governance and management of the contract

Two Contract Management Plans were drafted by a Territory official, for the management of the Head Agreement and the Work Order. However, neither document was finalised or endorsed. The development of a Contract Management Plan was identified as a Deliverable for which both the Territory and EY were ‘responsible’, but for which the Territory was ‘accountable’. The Territory asserted that the documents were not finalised as the content of the documents could not be agreed upon with EY, specifically in relation to performance management. Regardless of the endorsement status, both documents were ineffective as they lacked sufficient detail for components that support successful contract management including risk management, performance management, delivery, and acceptance processes, reporting and contract governance. There was no evidence that the Territory had used either Contract Management Plan to guide the management of the contract. 5.50

Weekly contract management meetings were established and occurred between the Territory and EY. The meetings occurred between Territory and EY representatives between June 2019 and June 2021. During this time, of a maximum potential of 100 meetings only 40 occurred (or an equivalent of 40 percent). The agenda items outlined in the Project Plan were appropriately discussed at each meeting. There were no defined terms of reference for the meetings. Terms of reference would have been beneficial in providing clear guidance on the expected roles and responsibilities of attendees. 5.59

The Project Plan and draft Contract Management Plans were inconsistent in identifying who was specifically responsible for the management of the contract with EY. The Project Plan described the Territory’s Executive Branch Manager (as well as EY’s Engagement Partner) as being ‘responsible for the overall Program and Project engagement and contract management’ as the Program/Project Managers. The draft Contract Management Plans assigned the role of the Territory’s Contract Manager to the Senior Manager ICT Contracts and Licensing. However, the Senior Manager ICT Contracts and Licensing was not responsible for managing performance and delivery under the agreement. They were not responsible for monitoring and management of Deliverables, establishing governance and meetings, or ensuring reporting covered all requirements. The draft Contract Management Plans described these as the responsibility of the Program/Project Managers. 5.67

A Risk Management Plan specifically relating to the contract with EY was not developed or documented by the Territory. A risk register was not established in relation to the contract with EY. Risks and issues that specifically related to the management of the EY contract were also not included in the program’s risk register. Instead, provisions in the contract and contract variations were only documented as controls or treatments to program level risks. Given the complexity of the contract, 5.75

it would be reasonable to expect that a Risk Management Plan be documented, and that a risk register be documented and maintained to provide appropriate oversight and management of contract related risks.

Contract performance management

The Work Order and Statement of Work outlined requirements for a Performance Management Framework 'to manage the contractual obligations of the Contractor'. The documents outlined the high-level requirements for a Performance Management Framework but provided for its practical details to be subsequently developed. By not developing and agreeing the details of the Performance Management Framework at the outset, the Territory was subsequently hampered in its efforts to implement robust performance management practices. 5.90

A Framework was initially established that involved monthly performance management meetings and assessment criteria that was used to assess EY's performance. The assessment of EY's performance was a two-step process; an initial self-assessment by EY, followed by an assessment by the Territory. Three monthly performance reviews were conducted between September and 2019 November. Increasing divergence between EY's self-assessed scores and the Territory's scores impacted the finalisation of the performance reviews. Over time, the continued divergence in scores contributed to increasing tension between the Territory and EY. In March 2020, a decision was made to revise the performance review process to: remove the scoring element and focus on the issues and proposed remedies; only require responses 'where required'; and remove the need to address all of the sub-elements of the Key Result Areas. The revised approach was used on a monthly basis from April 2020 to March 2021. 5.91

DELIVERY OF SERVICES

Paragraph

Contract requirements

The Statement of Work categorised the services that were to be delivered by EY as Deliverables, Work Products and Milestones. Acceptance processes for the Program's Deliverables and Milestones were not documented in the Head Agreement or Work Order, but the Project Plan did identify an end-to-end Deliverable and Milestone Acceptance Process. As discussed in paragraph 4.4, the Project Plan had been prepared by EY and 'Accepted' by the Territory but not formally 'Endorsed' by the Steering Committee or Program Board. 6.16

The Project Plan provided for a 'Responsible Preparer' to initiate the preparation of a Deliverable and a 'Responsible Owner' to review the Deliverable. The responsibilities and accountabilities of the 'Responsible Preparer' and 'Responsible Owner' were not defined in the Project Plan. These roles were also not documented in the Deliverables Matrix. The Project Plan erroneously asserted that Acceptance Criteria for Work Products and Deliverables were agreed and identified in the Statement of Work. This was not the case. Acceptance Criteria for Work Products were not documented, while Acceptance Criteria for Deliverables were described as being 'at a high level and the detailed requirements are expected to be further 6.17

agreed by the parties as part of the Plan and Prepare Phase’. This did not occur. There was a lack of clearly articulated and formalised arrangements for the review and acceptance of Deliverables.

For each of the Milestones identified in Clause 6 of the Statement of Work a high-level descriptor of an Acceptance Criterion was described. The Statement of Work did not describe a process for the review and acceptance of the Milestones, except to require that chronologically preceding Milestones needed to be accepted before a new Milestone could be accepted. The Project Plan provided information relating to a Milestone Acceptance Process. The Project Plan allowed for the Implementation Partner to ‘provide evidence to the ACT Government that the Milestone has been completed and for the ‘ACT Government [to] undergo a review of the Milestone Criteria and validate that all Deliverables, Work Products and activities related to the Milestone have been accepted and all issues related to the Milestone have been resolved’. The Project Plan allowed for the Senior Director (HRIMS Program) to ‘accept’ the Milestone and approve the payment of an invoice to EY. Following this, the Milestone was to be ‘reported to the Program Board and Steering Committee as accepted’. Such an arrangement placed a significant responsibility and accountability on the Senior Director (HRIMS Program) and did not allow for one or both of the HRIMS Program’s governance bodies to have a role in formally approving the completion of Program Milestones.

6.24

A ‘Deliverables Tracker – Deliverables Register’ (the Deliverables Tracker) was used by EY and Territory personnel as a source of up-to-date information on the progress of Deliverables and Work Products. The Deliverables Tracker included information on the status of Deliverables. For Deliverables to be provided by EY the Project Plan envisaged: acceptance was to be provided by a Territory official; endorsement would be provided by the Program Board; and approval would be provided by the Steering Committee. A review of the Deliverables Tracker as at December 2022 shows only three Deliverables had been ‘Approved’. One Deliverable was ‘Endorsed and seeking approval’, 26 Deliverables were ‘Accepted and seeking endorsement’ and eleven Deliverables were ‘Accepted with conditions’. This demonstrates the slow progress of the HRIMS Program and a lack of formal recognition or acknowledgement of Deliverables by the Program Board and Steering Committee.

6.32

The Deliverables Tracker included some information on responsibilities for the preparation, review, ownership, and acceptance of Deliverables. The Deliverables Tracker included information on timeframes for the provision and acceptance of Deliverables. A review of the Deliverables Tracker shows there was some information on the timeliness of only 38 Deliverables. Of these 38 Deliverables, only 26 Deliverables had complete information (due dates and actual dates for delivery and acceptance). This demonstrates the Deliverables Tracker had incomplete information for the ongoing management and oversight of the implementation of the HRIMS Program.

6.36

The monitoring and acceptance of Milestones was completed through Milestone Clearance Certificates. Milestone Clearance Certificates were used to provide documentary evidence that payment for each Milestone could be made. Each Milestone Clearance Certificate was co-signed by the Senior Director (HRIMS Program) and EY Program Director, indicating that the expected Milestone

6.54

Deliverable had been accepted by both parties. Six Milestone Clearance Certificates were signed off for a total of five Milestones (Milestones 1 to 5). A further 16 Milestones of the 21 Milestones initially planned were not cleared.

A review of the date of clearance of the Milestone Certificates shows that they were cleared considerably later than what was initially envisaged in the Statement of Work. This demonstrates the delays that the HRIMS Program was experiencing. For example, Milestones 2 and 3 were cleared in May 2020, up to seven months after initially envisaged (October 2019), while Milestones 4 and 5 were cleared in February 2021, up to eleven months after initially envisaged (March 2020). A review of the Milestones that were cleared also demonstrates that not all of the Deliverables associated with the Milestone were achieved. Some of the Deliverables were Conditionally Accepted and a number of Deliverables were Deferred to future Milestones. Notwithstanding initially envisaged Deliverables were not achieved, payments were made to EY for Milestone acceptance. 6.55

Decisions made in relation to the acceptance of Milestones therefore complicated the financial management of the HRIMS Program. Clause 6.1.1 of the Work Order required that chronologically preceding Milestones be accepted before a new Milestone could be accepted. However, on 9 December 2019 the Steering Committee approved EY to commence work on Milestone 3 and Milestone 4, despite Milestone 2 not yet being complete. This decision was a contributing factor to the cascading effect that occurred in relation to the amendment of Milestone dates for Milestones 2, 3 and 4. 6.56

Contract variations

The Territory executed six (6) Work Order variations. These variations significantly altered the original terms, Deliverables, services and value of the Work Order. Deed of Variation 1 represented a significant change to the contractual arrangements and a shift from release-based payments to Milestone-based payments, which increased the financial risk to the Territory. Deed of Variation 2 removed the prerequisite for Milestone 2 to be completed and accepted prior to the commencement of Milestones 3 and 4. This effectively removed the only Go/No-Go decision point of the Program and increased the risk to the Territory. Four subsequent variations included amendments to the agreed Milestone dates, increases to the Work Order value and changes to critical contractual documentation including the Statement of Work, Deliverables Matrix and Work Order Charges. The multiple and ongoing changes to the services to be delivered, through variations to the Work Order, complicated the management of the contract with EY and the broader HRIMS Program. 6.77

The Contract Management Change Control Process that was described in the Project Plan included the requirement for the HRIMS Program to maintain a change register to track change proposals. This was implemented by the Program at the functional and operational level, but there was no change register implemented to track changes made to the Head Agreement or associated Work Order. According to the Project Plan, all material variances to the contract were to receive approval from the HRIMS Program Board and/or HRIMS Steering Committee. This process was not 6.83

followed. Deed of Variation 1 varied the payment schedule of Work Order 1 from a fixed price across four payments to Milestone payments with a 'fixed price cap'. This was a material variance that should have been considered and approved by the HRIMS Program Board and/or HRIMS Steering Committee. Instead, it was signed off by the Executive Branch Manager, Strategic Business, Shared Services ICT. Deeds of Variation 4, 5 and 5a were presented directly to, and signed off by, the Under Treasurer or Deputy Under Treasurer. There is no evidence these were approved by the HRIMS Program Board and/or HRIMS Steering Committee.

Payments to EY

Between November 2019 and April 2022, 12 payments were made to EY totalling \$23.15 million. Payments were made for Milestone acceptance and delivery (35 percent), ad hoc / additional services performed (four percent) and to settle claims for delays incurred by EY and the termination of the contract (61 percent). The total amount paid to EY exceeded the initial value of the executed contract by \$5.14 million. 6.94

Recommendations

RECOMMENDATION 1 REPORT TO THE ACT LEGISLATIVE ASSEMBLY

The ACT Government should table a response in the ACT Legislative Assembly that provides a comprehensive plan that details the actions to be taken by the Territory to address the failures identified in this report.

Agencies' responses

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the Chief Minister, Treasury and Economic Development Directorate was provided with the draft proposed report for comment. All comments were considered and required changes were reflected in the final proposed report.

In accordance with subsection 18(2) of the *Auditor-General Act 1996*, the Chief Minister, Treasury and Economic Development Directorate was provided with the final proposed report for comment. All comments were considered and required changes were reflected in the final report.

In accordance with subsection 18(3) of the *Auditor-General Act 1996*, other entities considered to have a direct interest in the report were also provided with the draft proposed and final proposed reports (or extracts thereof) for comment. These included:

- Ernst and Young (EY); and
- Projects Assured.

The following comments were provided by EY for inclusion in this Summary chapter.

Ernst and Young

EY welcomes the Auditor General's Report into the HRIMS Program. We recognise the importance of the Audit Office's assessment of the effectiveness of the planning for, and management of, the HRIMS Program.

The ACT Audit Office has conducted a thorough and comprehensive review into a complex program and we would like to thank the team for their diligent and methodical approach.

As the report notes, the HRIMS Program was led by the Territory's 'HRIMS Program Team'. The Territory was accountable for managing the broader program including program planning, program scheduling and reporting, program governance, benefits management, program communications, program assurance, business process harmonization, future state operating model definition, changes to legacy systems to support integration, integration testing and user acceptance testing.

We note that this audit examined the governance and administrative arrangements of the HRIMS Program and the contract management arrangements that were implemented for the contract with the Implementation Partner. The audit was therefore primarily focused on the activities of Territory entities in planning and managing the HRIMS Program.

As the Implementation Partner, EY's scope and accountabilities were mostly related to the delivery of the technology solution as defined in the Project Management Plan produced by EY and accepted by the Territory at an early stage of the program. While the scope of the audit did not include an assessment of the activities carried out by EY, we were pleased that the report acknowledges the findings of a detailed assurance review of the IT solution developed by EY, conducted independently by SAP, which concluded that 'there is a solid platform across the components of the HRIMS Program to proceed with the current solution'. We believe we fulfilled our role as the Implementation Partner and delivered a high-quality IT solution that met the defined requirements.

The findings of the report align with our experiences and observations. Clearly, the program was complex and ambitious. We agree with the conclusions of the report which emphasise the importance of:

- Developing a clearly defined, complete and accurate business model supported by directorate and agency stakeholders.*
- Planning for the complexities and key risks associated with harmonisation of HR and payroll systems across the ACT Public Service.*
- Effective program monitoring and governance arrangements.*
- Effective planning for, and management of the contract with EY.*

We were disappointed that we did not have the opportunity to complete the implementation of the solution. We hope that the findings and recommendations outlined in the report will be adopted to improve the outcomes in any future endeavours to modernize the ACT Government's human resources information systems.