STATE SERVICES COMMISSION
Te Komihana O Ngā Tari Kāwanatanga

Guidance for Monitoring Major Projects and Programmes

August 2011

This guidance is updated from time to time.

To ensure you have the most recent version please check the website page at: www.ssc.govt.nz/monitoring-guidance

Note that this document supersedes the 2001 publication: 'Guidelines for Managing and Monitoring Major IT Projects'.

State Services Commission

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Foreword

The Central Monitoring Agencies

The three central agencies are the State Services Commission (SSC), the Treasury (Treasury) and the Department of the Prime Minister and Cabinet (DPMC). Each has a role in monitoring major projects.

SSC's interest is in ensuring that:

- major projects and programmes are aligned with the Government's direction and policy
- agencies have the capacity and capability to effectively manage and deliver the projects on time and within budget
- projects and programmes will be fit for purpose
- ministerial confidence in the project outcome is maintained.

Treasury has a direct interest in investments being made in major projects. The National Infrastructure Unit (NIU) has a particular interest both in terms of the Capital Asset Management policy and in the financial implications of a project. Treasury is responsible for ensuring that the overall interests of the Government in terms of fiscal accountability and responsibility are being met, that the anticipated benefits of major initiatives are realised and that scoping and Business Case documents comply with the Better Business Case guidelines published by NIU.

SSC and Treasury allocate desk officers to major projects who are closely involved with the project for its duration from concept to delivery.

DPMC has less of a day-to-day role in monitoring major projects. Its prime concern is ensuring that the interests of the Prime Minister and Cabinet are met. The Cabinet Manual contains guidance for Ministers and departments for major projects. The Cabinet Office issues circulars containing further guidance on process issues.

The Office of the Controller and Auditor-General (OAG) has discretion under the Public Audit Act to carry out a performance audit or inquiry into a major project and to publish reports into its findings. The Office has a general interest in ensuring good monitoring practice is shared and adopted across sectors and a specific interest in respect of the annual audit.

Engaging with Central Agencies – Key Considerations

Central Agencies (generally SSC and Treasury) have two major objectives for monitored projects:

- To provide Ministers with ongoing second opinion assurance and risk assessment advice on projects throughout their development (from concept stage until benefits realisation.)
- To assist departments with whatever is required, throughout the development process, to ensure their projects succeed. This includes advice/feedback on all major project deliverables (particularly draft business cases), sharing of templates, best practice and

lessons learned from other departments and input to Independent Quality Assurance (IQA) and Quantitative Risk Analysis (QRA) processes etc.

Several Cabinet Circulars (particularly Cabinet Circular CO(10)2) www.dpmc.govt.nz/cabinet/circulars/co10/2.html provide the mandate for Central Agencies' role and accountabilities for major projects.

Key points for departments to be aware of when commencing a major project:

- Engage Central Agencies as early in the process as possible and certainly before starting to develop the Indicative Business Case (IBC). Note that this requires engagement with the SSC Major Projects Monitoring Unit (majorprojects@ssc.govt.nz) and Treasury Vote Analyst for your department, in addition to any discussions you may need to have with the Treasury NIU regarding the Better Business Cases development process.
- Engage with SSC and Treasury as the Feasibility Study/concept is being finalised for a project and before the Investment Logic Map is completed.
- Regular meetings need to be held with Central Agencies throughout the development and implementation of the project. Central Agencies expect to be provided with regular copies of project highlight reports and occasional copies of project board papers and minutes etc.
- It is **mandatory** for Central Agencies to insert a comment into the Cabinet Paper accompanying any Business Case being submitted to Cabinet for approval. Factor in enough time for this to be completed, and ensure Central Agencies are sent early drafts of Business Cases and Cabinet Papers so that comments can be provided before both are finalised.
- The two stage Business Case development process is **mandatory** for all major projects unless (and this only happens very rarely) a specific exemption has been obtained from Treasury to develop a Detailed Business Case (DBC) only.
- Quantitative Risk Analysis (QRA) is **mandatory** for all Stage 2 DBC in order to provide more reliable estimates of the likely project costs and contingency. Central Agencies also use the QRA reports as part of their risk assessment process.
- Independent Quality Assurance (IQA) is **mandatory** for all monitored projects. The scope and recommended number of IQA interventions should be agreed with SSC early in the development process. The terms of reference for each IQA assignment also need to be agreed with SSC before the assignment commences.
- The OGC Gateway™ Review Process, administered in New Zealand by the SSC, is **mandatory** for all projects that are categorised as High Risk.
- Central Agencies are not resourced to complete detailed assurance assessments for all projects. As such, reliance is placed on the mandatory IQA process. SSC can provide assistance with advice on selection of IQA and QRA providers if Departments wish. Departments **must** engage with SSC before signing off any Terms of Reference for IQA reviews – SSC will often have areas they would like the IQA provider to focus on for a particular assessment, and will expect to meet with the IQA provider during each assessment.

SECTION 1: Objectives of the Guidance

This guidance sets out the expectations and standards for managing and monitoring major projects within the public sector.

Cabinet Circular CO(10)2 (see www.dpmc.govt.nz/cabinet/circulars/co10/2.html) mandates its use by monitoring agencies when monitoring major projects in the departments and agencies they oversee.

The guidance builds on experience gained over time and provides:

- An overview of accountabilities and responsibilities, and the Government's requirements for ensuring good practice across the sector.
- Guidance on what the monitoring agencies expect from agencies conducting major projects and will look for.

This guidance is not prescriptive. It is based on best practice drawn from past projects including, in particular, best practice developed by the UK Office of Government Commerce (OGC) and the Australian National Audit Office (ANAO).

Departments may make their own decisions about which proven project management tools and techniques they will use for their projects, including risk management methodologies, change control mechanisms and tools.

For further information about managing projects please contact the State Services Commission Major Project Monitoring Unit (majorprojects@ssc.govt.nz).

Common Causes of Project Failure

The following high level causes of project failure have been distilled from post implementation reviews and other assurance activity by the UK OGC. Many of the activities in this guidance seek to identify and address these causes.

1. Lack of clear links between the project and the organisation's key strategic priorities, including measures of success.
2. Lack of clear senior management and Ministerial ownership and leadership.
3. Lack of effective engagement with stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Too little attention given to breaking up development and implementation activities into manageable steps.
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).
7. Lack of understanding of, and contact with, the supply industry at senior levels in the organisation.
8. Lack of effective project team integration between clients, the supplier team and the supply chain.

Common Issues in NZ Government Projects

In addition to the above, the Project Monitoring Unit at SSC has identified some common issues that have occurred during major project development by Government Agencies in New Zealand since the introduction of the monitoring regime in 2001.

There are some key actions that can minimise these recurring risks:

Issue	Action Point
Capability / Funding / Capacity	The Business case should include a detailed project resourcing section that identifies what specialist skill-sets are required throughout development, a gap analysis to identify what skill-sets are not available internally and will need to be purchased, what the likely cost of these services will be (to be included in estimated project costings) and how the resources will be obtained.
Over-optimism and Unwarranted Selection of Leading Edge Products	• Potential over-optimism: Agencies should formally assess the impact of any proposed new project against other current and planned programmes of work and include a specific comment in the Cabinet paper accompanying the business case for the project that confirms capability/capacity or addresses the potential impact on other workstreams if the project is approved. • Leading-edge product selection: Unless Agencies specifically acquire independent technical expertise to assist with evaluation and selection (and some do) there is no independent challenge to agencies as to whether the solution selected is absolutely fit for purpose (neither soon to be obsolete and require early replacement, or more often too leading-edge and presenting too much risk). Departments should consider requesting assistance from GCIO, so that a GCIO-appointed independent technical advisor (either from within GCIO, SSC or from an established panel of external experts) be included on the RFP evaluation/selection panel for the project. This person should also be required to complete an independent report for Ministers and Central Agencies, that assesses the appropriateness of the selected solution (not potentially obsolete or too leading edge), the level of risk estimated and how any potential risk is to be spread between the agency and vendor.
Competing Priorities – Working Effectively with Overseas Counterparts versus Sharing Functionality across NZ Agencies	Where there is a choice between purchase/development of a system designed primarily to work most effectively with overseas counterparts or a system that can be shared effectively across multiple agencies within NZ, both options must be presented to Ministers in the Business Case. For each option, costs, expected benefits and impacts should be clearly documented, so that Ministers can direct the agency as to their preferred option.
Infrastructure Costs Assigned to Projects	Resolution of this issue is still being addressed by Central Agencies
Internal Project Assurance Functions	Agencies should plan for and demonstrate effective use of internal assurance functions (particularly input/review by their Project Management Office and Internal Audit Unit.).

Role of the Monitoring Agencies

The purposes of monitoring major projects are:

- To provide assurance to Ministers that the right projects are chosen in the first place
- To ensure projects are managed in the right way, mitigating risk to the Government.

Monitoring agencies are concerned with ensuring that a proposed major initiative is aligned with Government and departmental strategic directions. They seek to ensure that Ministers can have confidence in the proposed investment and that the immediate and anticipated benefits are realised.

The monitoring role of central agencies is to provide independent assurance and advice to Ministers on whether agencies will:

- Ensure that major projects support the Government's aims and policies.
- Realise the department's business objectives for any major initiative undertaken.
- Ensure that the proposed initiative is "Fit for Purpose"; i.e., neither unproven, 'leading edge' or obsolete.
- Minimise risks through effective governance and project management practices.
- Allocate sufficient and appropriate resources to the initiative.
- Ensure that the contractual relationships with external consultants, contractors and vendor organisations are effectively managed.
- Ensure that any procurement has been managed in accordance with the Mandatory Rules and Procurement Guidelines
- Ensure the delivery of projects on time and within budget.
- Deliver the promised benefits.
- Ensure that there is sufficient departmental capability for the management and delivery of major projects.

This independent assurance includes the provision of quarterly reports to Responsible Ministers for medium risk projects and monthly reports to Ministers for high risk projects. SSC will assess the risk of each project on a continuous basis throughout the project lifecycle, and adjust the risk level as required.

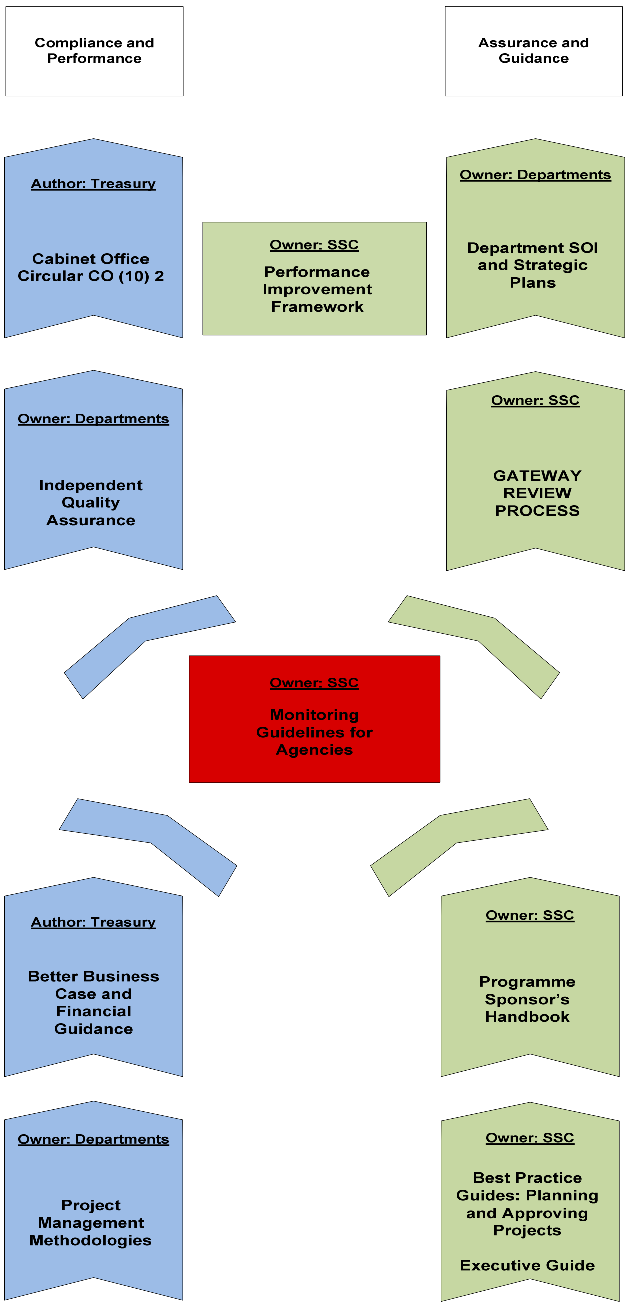
For projects that may be particularly high risk, have a history of problems during development, or where Cabinet or the Responsible Minister has specifically requested more detailed monitoring to be put in place, SSC will agree a detailed monitoring regime with the Department. A typical detailed monitoring regime that will be tailored to meet specific monitoring requirements for individual projects

For a specific project, the monitoring agency role includes:

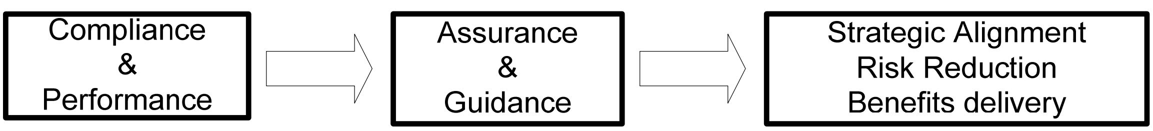
- Reviewing and providing advice on the indicative business case and/or the detailed business case seeking approval for the project.

- Gaining assurance that the business impacts have been explored and that all risks (organisational, project specific, political, external) have been identified and mitigation strategies developed.
- Assuring and, if needed, providing advice on project governance, project management and reporting structures.
- Gaining assurance that the necessary contract/s and relationship management principles are in place for external consultants and vendor organisations.
- Gaining assurance that the right resources and skills are being applied to the project.
- Assuring the quality of project scoping and planning.
- Monitoring and providing comments on progress as the project proceeds.
- Assuring that effective quality assurance is in place.
- Agreeing the scope of IQA activity before it commences.
- Reviewing all IQA reports and meeting with IQA service Providers as required
- Maintaining a panel of preferred QRA service providers and advising on QRA activity as required
- Providing a mandatory Central Agencies comment in all cabinet papers accompanying business cases provided for Ministers consideration
- Providing advice on the preparation and content of cabinet submissions supporting business case proposals, as well as cabinet report backs on business case and project delivery progress.
- Reporting to Ministers.

Fig 1: Where this guidance fits in the sequence of Project Assurance Activities



Compliance and Performance activities are complemented by the Assurance and Guidance activities.



The Difference between Gateway and the Monitoring Process

Assurance and Monitoring processes as defined in Cabinet Circular CO(10)2:

The Gateway Review Assurance Process (see www.ssc.govt.nz/gateway) is a short (5-day) review of a project, at a point in time, carried out by experienced, trained accredited reviewers who provide the Senior Responsible Owner (SRO) of the project with a peer review. For more information please contact the State Services Commission Gateway Unit (gatewayunit@ssc.govt.nz).

The Monitoring process is primarily concerned with continual project risk and performance monitoring throughout the project lifecycle from scoping through to benefits realisation. Overall project risk and satisfactory project delivery progress is continually assessed and the prime audience for monitoring reports are Crown Ministers, as opposed to the SRO for Gateway reports.

Gateway Assurance

- Gateway assurance (see www.ssc.govt.nz/gateway) is a multi-gate assurance regime for projects and programmes. It is designed to provide confidential, independent, high-level, action-oriented recommendations to project sponsors at key project milestones, focusing on the issues that are important to the continuing success of the project.
- The Gateway regime, operated by the SSC Gateway Unit, applies to all high risk capital programmes or projects of departments and Crown agents, irrespective of the size of the project or the funding source.
- The final risk profile (i.e. whether high or not high risk) will be determined by the SSC Gateway Unit based on its assessment of an initial Risk Profile Assessment (RPA) provided by the relevant agency, and other factors. The Responsible Minister may also request that a project be deemed “high risk” and therefore subject to the Gateway Review regime.
    - Departments and Crown Agents must perform an initial RPA for any project that would expose the Government to significant fiscal or ownership risks if it were not delivered within the agreed scope, cost, and timelines.
    - Those agencies must then provide the completed RPA form to the SSC Gateway Unit for any projects with either a medium or high risk profile. Agencies must contact the Gateway Unit as early as possible, to ensure that high risk projects receive the full set of Gateway reviews.
    - The RPA provides information that underpins the expectations in this document. Failure by a department or Crown agent to perform and disclose the results of an initial RPA, or to submit timely requests for applicable Gateway reviews, is considered a serious matter and will be viewed negatively.
- The SSC Gateway Unit will, at the discretion of the State Services Commissioner, recover some or all of the costs of running the Gateway regime from departments and Crown agents that receive Gateway reviews. These costs are to be factored into project and / or programme budgets and remain the responsibility of the project or programme to manage.

Monitoring of high risk projects

- Monitoring activity is designed to provide independent advice to Responsible Ministers on the likelihood of projects delivering expected benefits in the required timeframe, at the required quality and within fiscal, policy, or operational constraints.
- Central agencies will monitor all departmental projects that are determined as high risk and/or where otherwise requested to do so by the Responsible Minister, whether the project is ICT-enabled, infrastructure, property or construction based and however funded. This includes projects that are funded from departmental baselines as well as those that require capital investment from central government.
- As mandated in CO(10)2, Central agencies will:
  - publish guidance on project monitoring and project management disciplines
  - apply a consistent set of judgements for the purposes of determining whether a particular project is to be subject to Gateway review and/or project monitoring
  - foster the widespread use of the project monitoring guidance and recognised project management disciplines in Crown agents and throughout the rest of the State sector.
- Departmental chief executives **must** adopt and apply the central agency guidance on project monitoring and project management to all capital proposals that need the approval of the Cabinet or the Responsible Minister. Even where the approval of Cabinet or the Responsible Minister is not required, there is an expectation that central agency guidance will be adopted.
- Responsible Ministers will ensure that their monitoring departments apply the same quality of major project monitoring practice to high risk projects undertaken by Crown agents as central agencies apply to high risk projects undertaken by departments.
- Central agencies may re-charge departments (or Crown agents as appropriate) for any external IQA or other interventions commissioned by them for off-track projects.

Accountabilities and Responsibilities

Project accountability means the department and relevant staff being held to account for the delivery of a business solution that provides the agreed benefits to the department within the agreed time, budget and other resources.

The following table summarises the various elements of accountability in major projects and illustrates the key areas that the central monitoring agencies need to assure are working adequately.

Accountability Element	Key Documents/Project Elements	Responsibility for element
Performance specification	Information Systems Strategic plan (ISSP) Strategic Business Plan or Statement of Intent (SOI) Scoping Document Investment Logic Map (ILM) Individual project business cases Relevant milestones in Chief Executive performance agreement. The Portfolio of all projects should be reviewed and the linkage from the portfolio to this individual project should be explicit.	Department prepares; central agencies incl GCIO advise Department prepares; central agencies advise Department prepares; central agencies advise Department prepares Cabinet approves Department prepares, SSC implements and monitors
Decision authority	Ministerial or Cabinet approval	Responsible Minister (within legislative and Cabinet authority)
Incentives/sanctions	Annual performance review against performance agreement of Chief Executive	State Services Commissioner
Performance information	Project reporting and independent quality assurance (if required under monitoring regime) Departmental quarterly reporting (unaudited) Departmental annual reporting (audited)	Department for original preparation Central agencies and independent QA for external monitoring

Monitoring Agencies: Strategic Alignment – what to look for

Understanding Statements of Intent (SOI), Department Strategic Plans and ISSPs are core to understanding an organisation's strategic direction. Alignment of the overall business and ICT strategies is essential to ensuring organisational and Government objectives and achieving good business practice.

Evidence of alignment is also indicative of best practice in terms of ensuring ownership and governance interests align with management goals and objectives.

Key questions for Monitoring Agency staff include:

- How clearly is the overall business 3-5 year strategy documented and treated as a 'living' roadmap?
- How recent are the strategy plans? When were they last reviewed and updated by senior management? Is there a well documented current strategy for the development of information systems? Does it align with the business vision, goals and objectives? Does it contribute to the Government's Directions and Priorities for ICT? Do ICT initiatives take into account Government Standards?
- Will the portfolio, programme or project achieve the 'right things' in terms of the core business of the department, Government direction and whole of Government interests? In terms of a specific project the following should also be examined:
  - The extent to which the proposed initiative will provide a long-term, cost effective solution to the specific business requirement or problem.
  - The changes envisaged to work practices, processes and procedures and whether these, together with the proposed system solution, support the case for business improvement.
  - How well the Strategic Assessment or feasibility study (if appropriate), defines and determines a case for proceeding.
  - How well has the Investment Logic Map (ILM) defined the key problems, interventions and changes required rather than providing a justification for a pre-determined solution?
  - The depth and breadth of organisational change that could result from the proposed solution.
  - How does the particular initiative contribute to (or achieve) business objectives of the Government's overall direction including its Directions and Priorities for Government ICT Strategy?
  - Does the scoping document clearly articulate what will be delivered and what benefits are expected to be achieved?
  - Is the proposed project "fit for purpose" i.e. not 'leading edge' or bordering obsolescence?
  - Does the proposed solution provide good value for money? e.g. it is not over engineered to provide excessive capability / capacity without just cause, or under engineered so that it may require early replacement.

Section 2: Risk Management Strategy and Business Continuity

The Australian and New Zealand Standard (AS/NZS ISO 31000: 2009) provides the following key definitions:

Risk: “the effect of uncertainty on objectives”. (Typically an event or circumstance that can have a negative impact on the project or business.)

Risk Management: “Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Principles of Risk Management (as laid out in the Standard) are that it:

- creates and protects value
- is an integral part of all organisational processes
- is part of decision making
- explicitly addresses the uncertainty
- is systematic, structured and timely
- is based on the best available information
- is tailored
- takes human and cultural factors into account
- is transparent and inclusive
- is dynamic, iterative and responsive to change
- facilitates continual improvement of the organisation

There are 6 acceptable responses to risks that have a potential negative impact:

1 Avoid the risk in totality

2 Reduce the impact of the risk should it eventuate

3 Fall back to the originating position

4 Transfer the risk to a true third party

5 Share the risk with a partner

6 Accept the possible impact and move forward

Standard risk management practice is to first establish the project’s risk management context, then identify the potential risks, analyse their consequences and likelihood of occurring, evaluate and then treat or mitigate the risks using the appropriate response as above. This will then permit the project to determine the residual risk, i.e. the risk levels expected to remain after treatments have been applied and to plan for any additional actions to be executed should the risk be realised.

Risks should be described in terms of the occurrence and its likely impact or result.

Quantitative Risk Analysis

A mandatory Quantitative Risk Analysis (QRA) process is required for detailed business cases. This provides assurance that all key risks have been identified and are being managed accordingly.

QRA provides the sponsor with an understanding of the probabilities of different cost outcomes for their project. This probability information increases the accuracy of the project's estimated cost, and is used to determine the project's contingency budget – a figure which will be a high percentage of budget in the early stages or a project, and a lower percentage of budget as the project progresses and design and market information is collected.

The process of performing QRA on a project can also reduce the costs of a project, by forcing thinking about the risks to the costs of a project that may not normally occur.

The output of QRA analysis should be used as the basis for a project's cost sensitivity analysis. QRA identifies the cost elements in a project which are likely to have the greatest impact on a project's cost outcomes, the key to robust sensitivity analysis processes.

The QRA process requires a cost model for the project to have been developed, a costs-risks workshop to be independently facilitated (this is separate from the project's risk management workshop) and a Monte-Carlo[1] analysis to be used to aggregate cost model uncertainties into a single cost-probability distribution curve.

Ministers expect to see the outputs from the QRA exercise in the detailed Business Case and referenced in the accompanying Cabinet Paper. They are familiar with terminology (P85 = 85th percentile etc.) and expect an accurate contingency value (generally no more than 5% of project budget) to be derived from this process.

[1] http://en.wikipedia.org/wiki/Monte_Carlo_method

Monitoring Agencies: Risk Management Strategy – what to look for

The monitoring agencies have a crucial role in ensuring that projects are set up and managed so that they minimise risk exposure to the Government. In evaluating the risk management strategy of a departmental or cross agency project, a monitoring agency needs to be assured that all risks have been identified and evaluated in an in depth manner. The monitoring agency needs to assess:

- If a formal risk management policy and methodology is in place to manage risk and how it is being applied.
- The risk assurance function input to the project risk framework.
- How the project objectives assist in mitigating the corporate risk landscape.
- All of the documentation around identification of the risks, including quantitative and qualitative analysis.
- How the project risk analysis was derived.
- Whether risk context (i.e. political, economic, social, technology, legal, environmental, investment, organisational, project and cultural) has been fully and accurately understood.
- How the risks have been weighted and the reasons for this.
- If the risk scaling matrix is appropriate to the project and department.
- What management strategies are being proposed to treat each of the risks?
- That central agencies have been consulted with over the scope and have had input into the IQA providers Terms of Reference and any IQA activity.
- Whether copies of IQA reports for monitored projects have been provided directly to the department's Chief Executive. This function should not be delegated downwards or to the SRO for monitored projects. This ensures the Chief Executive is directly aware of all issues and risks.
- How recommendations and findings from IQA reports have been implemented. Typically this involves review of action plans and target dates for implementation.
- The scale of monitoring and escalation processes proposed for the life of the project.
- The degree of senior management involvement in the assessment of the risks, the treatment strategies and what their role will be in monitoring the strategy.
- How has the Chief Executive sought independent expert review of the Terms of Reference and proposed contract(s) for a major project?
- That risks are regularly (at least monthly) being re-assessed in a committed manner and not revised as a compliance exercise.
- That a high quality QRA process has been completed to identify the project's likely cost outcomes and its contingency budget.
- That an independently facilitated risk workshop has been completed to identify and assess the key risks applicable to the project (normally as part of the QRA process.)

- That risks are regularly reported to the project board and appropriate risk owners have been identified and allocated.
- That an Issues Log has been prepared and is regularly updated.
- Whether a dependencies matrix has been completed that clearly identifies major project dependencies, including an overall (cross project) critical path of tasks showing what is required to be completed and the timeframe for completion. There must be clear evidence that the matrix is regularly reviewed and updated.

Monitoring Agencies: Business Capability and Continuity – what to look for

A key aspect of the monitoring agency's interest in this area is to ensure that the department has deployed people with the appropriate skills and expertise to undertake the project. Areas to assess include:

- The degree of complexity of the project and the skill sets required both internally and externally.
- The extent to which the department has previously managed a substantial IT project, i.e. its previous track record.
- The capability of the department to provide the 'right' level of governance and management required for the project.
- The sources of assurance that are in use within the department and how the sources are being used in the project context.
- The previous skills and experience of the proposed project manager and key team members.
- The culture of the organisation and in particular any problems that might arise if the project is being managed within a command-line culture.
- The extent to which the department has considered skill or resource gaps and how these will be addressed, within the project, portfolio and cross agency initiatives.
- How internal skills and business knowledge are to be supplemented by external resources and the processes for transferring knowledge.
- The degree of impact the project will have on the department and its resources and the strategies proposed for managing and monitoring these impacts; i.e. how will the demands of the project be managed alongside the need to maintain business as usual?
- The completion of a resource management plan that identifies all key resources, when they are required, and the phasing of use throughout the project.
- The degree to which the department has entered into a partnering relationship with its vendor(s) rather than an adversarial, service level and contract based relationship.
- Whether the governing project board has appropriate Terms of Reference and discharges its management, support and challenge role effectively

SECTION 3: Business Case Overview

A business case is a planning and decision making tool. It is the articulation of a compelling case for investment. However, a business case is not just a vehicle for gaining approval for funding. A robust business case should provide:

- an explicit and systematic basis for decision-making
- clear accountability for the use of public resources
- an effective communication tool for engaging stakeholders
- assurance to funding agencies, suppliers, and other partners by demonstrating affordability and achievability
- a robust plan for post-implementation review including the management of risks and the delivery of expected benefits on time and within budget.

The business case should contain all the information necessary for Ministers to decide whether to proceed with the undertaking.

Unless otherwise agreed by the Treasury and the monitoring department (if applicable), a two-stage approval process must be followed for all capital proposals:

a. that require Cabinet approval[2] – *or* –

b. that are assessed as high risk and have a whole of life cost greater than NZD $25m regardless of the funding arrangements – *or* –

c. where the Responsible Minister has specifically requested the project to be monitored.

The two stage process:

- **Stage 1:** Consideration of the Indicative Business Case (IBC). This confirms the case for change and the need for investment, considers the proposed options, recommends an indicative or preferred way forward for further development of the proposal, and seeks the early approval of decision-makers to further develop the proposal. **A Request for Information (RFI) may be issued only once the IBC is approved.**
- **Stage 2:** Consideration of the Detailed Business Case (DBC). This sets out the basis for a recommended course of action that maximises value for money and seeks approval from decision-makers to develop and finalise the arrangements for successful implementation. Approval at this stage may be given subject to certain constraints or conditions. For proposals other than Public Private Partnerships (PPPs), a Request for Proposal (RFP) may only be issued once the DBC is approved.

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[2] Refer to the Overview booklet and Cabinet Office circular CO(10)2 for further detail on proposals that require Cabinet approval.

Fig 2: Capital expenditure, lease and asset disposal proposals that require Cabinet approval

Type of proposal/organisation	All Departments	Crown Agents	Other Crown entities
All proposals that require new Crown funding	✓	✓	✓
All proposals to dispose of assets held on the Crown account that have significant policy implications[3]	✓	✓	✓
All PPP proposals, even if funded from baselines and balance sheets	✓	✓	
All departmental capital expenditure or lease proposals with a whole of life cost (WOLC) over $25 million, even if funded from baselines and balance sheets	✓		
All high risk departmental proposals, irrespective of the scale and funding source	✓		
All proposals to dispose of departmental assets with a carrying value of $25 million or more	✓		

[3] The Crown may have obligations under the Public Works Act 1981 that agencies may have to work through before considering asset disposal.

Integrating the Business Case process with the Procurement process

How to manage the procurement process is detailed at www.procurement.govt.nz.

The following table shows how the procurement process for a specific project normally integrates with Business Case Development. Any exceptions to this structure must be agreed with the Minister responsible.

Strategic Assessment	The purpose of the Strategic Assessment is to allow internal and external stakeholders to consider the merits of a proposed investment and whether it should go to Business Case
Registration of Interest	This can be done early in the project process to determine the likely level of market interest An ROI is the first stage of a multi-stage tender process. It can be used to develop a shortlist of suppliers who will later be asked to submit full proposals through an RFP. An ROI can be used as an initial filter where there are potentially very large numbers of suppliers and it is not sensible to invite all to submit full proposals/tenders.
Indicative Business Case	The Indicative Business Case provides recommendations for an indicative or preferred way forward; it seeks approval to proceed with more detailed assessment of the short-listed options and to engage with market suppliers.
Request for Information	**An RFI must not be issued until the IBC is approved.** The second stage of the selection process that provides a more detailed outline of the project and offers those vendors who responded to the ROI the opportunity to provide further more detailed information. The purpose of an RFI is to get more information, including indicative pricing, for inclusion in the DBC, and to gain a better understanding of the suppliers in the market and their goods/services. It helps to identify the range of possible solutions. It is not a request for offers and must not be used as a mechanism from which to directly select suppliers.
Detailed Business Case	The Detailed Business Case provides recommendations to develop and finalise the arrangements for the implementation of the preferred option.
Request for Proposal	**An RFP must not be issued until the DBC is approved.** The final stage in the selection process in which the department prepares a fully documented set of requirements that is issued to suppliers whose RFI responses were evaluated as being able to meet the requirements for the project. Interested suppliers are invited to submit proposals, giving details of how their goods or services will deliver the outputs and outcomes, along with the proposed prices.
Implementation Plan	Details how the project will be implemented with the selected supplier.

Monitoring Agencies: Evaluating the Business Case – what to look for

Identify 5 Cases

The development of the business case should ensure that strategic, economic, commercial, financial and management aspects are embedded in the analysis of business case development. Check the following:

Does the Business Case contain the following cases?		
Strategic	Is the initiative supported by a robust case for change?	If not, what is the initiative's alignment to the agency's strategy?
Economic	How will value for money be maximised?	If it won't, what is the economic justification for doing the initiative?
Commercial	Is the initiative commercially viable?	How attractive is the proposal to industry? What mechanisms might be needed to progress it.
Financial	Can the agency financially afford this initiative?	Current financial position, any constraints to Opex or Capex. Does it line up with capital intentions?
Management	Does the capability exist to deliver the change?	If not, does the agency make specific allowance to purchase the capability?
Clarity	Is the Business case easily read and understood?	If not, what could change to make it clearer?

General Considerations

1 The funding approvals and proposed treatment of project costs against Treasury and Cabinet Office instructions.

2 The description of the business function(s) the project will support or improve and the underlying assumptions.

3 A clear compelling case for change that is articulated in the executive summary.

4 What options in terms of solutions to addressing the business issue/problem have been set out?

5 What are their relative strengths and weaknesses and any overlooked gaps?

6 What decision making process was employed in terms of selecting possible solutions: What are the relative evaluative criteria and weightings.

7 The expected benefits that cannot be achieved by the status quo (do nothing) option and conversely the non-benefits that would come from the counterfactual of doing nothing

8 Whether the business case is tailored 'fit for purpose', i.e. size and scale of the project.

9 Assess the link between the anticipated business benefit and Government and departmental goals and the contribution this project makes to the portfolio. In this context the portfolio is the vehicle for delivery of business outcomes/strategic objectives.

10 The costs and anticipated benefits – are all the costs included (e.g. hardware/software; vendor/contractors/consultants; internal staff costs; restructuring, transition,

implementation)? Do the benefits add up, are they feasible? Is the timeframe for benefits' realisation realistic?

11 Whether it adequately explains the reasons why the Crown should approve the project.

12 The justification for additional capital expenditure.

13 The performance measures and processes proposed for the release of funds.

14 Whether independent expert assistance has been used to prepare the business case or it warrants expert review.

15 Whether the business case has been subject the Gateway review

Indicative Business Case (Stage One)

Specific Considerations

The purpose of the IBC is to:

- confirm the case for change and the need for investment
- recommend an indicative or preferred way forward for further development of the proposal
- seek the early approval of decision-makers to continue development of the DBC (Stage Two), based on the preferred way forward.

The IBC will:

- provide an early opportunity for the organisation and key external stakeholders to consider the investment proposal at a high level and influence its direction
- provide a basis for better decision making by seeking early agreement about key issues for the options
- prevent too much effort being put into the development of proposals or options which should not proceed.

It is important that the recommendation for the 'preferred way forward' is not confused with the recommendation for the 'preferred option', which emerges from the more detailed options analysis undertaken as part of the DBC.

A capital proposal may also be subject to Gateway review [2]. If so, preparing the IBC will assist to inform the Gate 1 (Business Justification and Options) review. Early engagement is essential with the SSC Gateway Unit for capital proposals that are likely to require Gateway reviews. This will help to ensure there is sufficient lead time to enable the arrangement of reviews, if these are required.

Purpose: Does the IBC do the following?
Confirm the case for change and the need for investment?
Recommend an indicative or preferred way forward for further development of the proposal; and
Seek the early approval of decision-makers to continue development of the DBC (Stage Two), based on the preferred way forward

Detailed Business Case (Stage Two)

Specific Considerations

The purpose of the DBC (Stage Two) is to:

- identify the investment option which maximises value for money based on more fully developed costs and benefits
- prepare the proposal for procurement
- plan the necessary funding and management arrangements for the successful delivery of the project, and
- inform a proposal to Cabinet (or other decision-makers) to seek agreement to go to market and finalise the arrangements for successful implementation (in the Implementation Plan). This approval may be subject to delegation and reporting requirements at key milestones or in the event of specified contingent events.

The DBC builds on the IBC by:

- revisiting the case for change outlined in the previous actions (the strategic case)
- providing a clear understanding of the preferred option supported by more detailed analysis of the costs, benefits and risks (the economic case)
- early consideration of the potential deal (the commercial case)
- ascertaining affordability and funding requirements (the financial case)
- planning for successful delivery (the management case).

The intent is not to repeat previous work, already documented as part of the earlier business case development, but to revisit and further develop previous analysis and conclusions. The rationale for any significant changes or revisions should be clearly highlighted.

For proposals other than Public Private Partnerships (PPPs), a Request for Proposal (RFP) may be issued once approval is granted. PPP proposals may require a different implementation process that varies from this guidance. Contact the Treasury if the proposal is likely to involve a (PPP) solution.

A capital proposal may also be subject to Gateway review [2]. If so, preparing the DBC will assist to inform the Gate 2 (Delivery Strategy) review. Early engagement is essential with the SSC Gateway Unit for capital proposals that are likely to require Gateway reviews. This will help to ensure there is sufficient lead time to enable the arrangement of reviews, if these are required.

Purpose: Does the DBC do the following?
Continues to demonstrate business need and contribution to the business strategy?
Have options been explored and does the preferred way represent value for money?
Is the project's whole life funding affordable?
Is the organisation realistic about its ability to achieve a successful outcome?
Is the organisation realistic about its ability to achieve a successful outcome?
Is there a clear definition of the total project scope?
Are the issues relating to business change understood?
Do stakeholders support the project?
Are the benefits to be delivered understood and agreed with stakeholders?
Is there a plan for realising benefits?
Are the project's outcomes (benefits) accurately reflected in the requirement specification?
Has the proposed procurement procedure been evaluated?
Has the (PIR) evaluation strategy been accepted by stakeholders?
Is the wider contribution / impact of this project understood and demonstrated?
How does this project, programme contribute to the agency’s portfolio?

SECTION 4: Governance and Management

Governance is about leadership, strategic direction, control and accountability.

The principles of Governance apply to any situation with an executive group and another group representing shareholders or stakeholders, including in a project context.

Management is concerned with administration and delivery through planning, monitoring and reporting.

A common cause of project failure is lack of clear senior management and / or Ministerial ownership and leadership. An individual with sufficient accountability and authority holds responsibility for ensuring the benefits are delivered.

If the project or programme is a cross-sectoral initiative, the project should be aligned with the objectives of all the agencies involved. This requires coordinated relationships with other agencies.

It is important to ensure that appropriate governance mechanisms are in place to manage the use of and changes to any of the business processes, organisational structures, delivery strategies, ICT systems, etc. Effective measurement of the systems will determine whether it is getting value for money and associated processes are effective.

Good project governance includes:

- outlining the relationships between all internal and external groups involved in the project
- ensuring that single points of accountability exist at all levels of the project, and that accountabilities are not separated from the appropriate control of resources necessary to successfully deliver on those accountabilities4.
- describing the proper flow of information regarding the project to all stakeholders
- ensuring that issues encountered within each project are reviewed appropriately.
- ensuring that required approvals and direction for the project is obtained at each stage of the project.
- effective risk and issues management systems are in place and being used regularly.
- a clear focus on Benefits delivery and business outcomes.

Governance and management can become problematic when the roles and responsibilities of each group have not been defined clearly, so that accountabilities and responsibilities are blurred. This can lead to omissions or conflicts in authority, which manifest as poor leadership and potential project failure

Particular issues include:

- Ill-defined boundaries between Project Governance roles and Line / Functional Management roles.
- Too many governance roles, resulting in delegated decision making.

[4] Separation of ownership from control is a fundamental governance issue in “agency theory” and the practice of project management.

- The governing body spends so much time on trivial items and/or short term issues that the really important governance issues are not dealt with adequately.
- Lack of clarity about where accountability lies.
- Governance meetings evolve into "talking shops" instead of being decision focussed. (This can be managed using outcome based agenda's and strong meeting facilitation).
- The governance group is too large to gain consensus or make sound decisions
- The governance group is passive and fails to define its own reporting formats and frequencies, relying instead on what is presented to it without challenge

Key Governance Roles and Responsibilities

Principle	Guideline
The **Sponsoring Group** comprises the organisation's senior managers who are responsible for the investment decision, defining the direction of the business and establishing the right frameworks to achieve the strategic intentions: *"The Investors"*	Specific Responsibilities of the Sponsoring group are : • Provide the Mandate • Create the right environment for success • Endorse, advise and support the SRO • Confirm delivery and sign-off at the closure of the programme.
The **Business Change Manager** has responsibility for benefits definition and management throughout the programmes and provide the 'bridge' between the programme and the business: "*The Change Agent"*	• Primarily benefits focussed • Define the benefits • Assess progress towards realisation • Achieve measured improvements • Monitor the performance of the programme • Manage and direct the change team • Be 'business-side' to provide a bridge between the programme and business operations.
The **Sponsor / Senior Responsible Owner (SRO)** needs a strong vision for the project / programme and must be able to influence senior management to commit resources to the project. *"The Champion"*	The SRO champions the project or programme within the organisational context. The SRO role may also cover the Project Executive Role dependent on project size. The SRO should be a member of the senior management team with responsibility for the deliverable that will be the outcome of the project. It is important that, if possible and appropriate, the SRO be someone other than the Chief Executive. This helps preserve the objectivity of the Chief Executive to address the overall interests of the department and to manage project risk. This also provides a final point of escalation.
The SRO will select the **Project Executive, or Programme Director**, who is ultimately accountable for the project's success and is its key decision maker: *"The Decision Maker"*	The Executive represents the Business within the context of the project. The Executive's role is to ensure that the project is focussed on achieving its objectives and benefits, and is ultimately accountable for the project's success. The Project Executive role may also cover the SRO Role dependent on project size. The Executive chairs the Project Board. S/he facilitates

	resolution of issues at senior levels, holds or allocates project budget, is responsible for delivery of project within approved scope, timescales and budget and for the project meeting its objectives and forecast benefits.
There must be a **Project Board,** or Steering Committee, members of which will be key stakeholders for a particular project: *"The Voices of Reason"*	The Project Board is responsible for acceptance and sign off of deliverables and business outputs and will recommend continuation to the next phase on successful completion of all deliverables. Board Members should have a both a supplier and end user interest in ensuring the success of the project and be prepared to take personal responsibility to ensure a successful outcome to the project. They should provide thoughtful, constructive input into the project and commit the time required to attend and actively participate in the Project Board meetings throughout the project. The inclusion of an external person, who brings subject matter expertise, can be valuable in providing a neutral view. The Senior Responsible Owner / Project Executive has the final vote in all decisions.
The governance role of the Project Board is to provide overall direction, guidance and support to the project, and to monitor the project to ensure successful delivery of expected outputs and outcomes within scope and budget.	Specific duties include: • Be accountable for the success or failure of the project • Provide unified direction to the project and stakeholders • Delegate effectively • Facilitate cross-functional integration • Commit resources • Ensure effective decision making • Support the project team • Ensure effective communication to stakeholders Specific tasks include: • Approving start up and initiation of the project. • Provide strategic advice to ensure that the project fits in the wider organisation work programmes. • Monitoring progress • Reviewing and approving changes outside of delegated project tolerances. • Other tasks include: - Monitoring the project progress, including sub-projects. - Ensuring that proper risk assessment is performed and management strategies are developed. - Appointing the project manager and approving the team members. - Approving project scope, budget, objective and plan changes within any delegated authority. - Signing off the project deliverables at the relevant milestones.

	- Confirming project cancellation, where necessary with the Chief Executive. - Ensuring that the proper financial checks and professional balances are included. - Ensuring that the project meets the department's statutory obligations and protects the Government's interests. - Ensuring that the project delivers the required benefits. - Reviewing and approving the quality assurance reports, including the project manager's recommended actions.
The **Portfolio / Programme / Project Offices, (P3O)** governance role is to ensure that issues, risk and changes are escalated to the right decision making authority, ensuring consistency and correctness for the right information make decisions. *"The Backstop"*	Portfolio, Programme and Project Offices (P3O) provides the structure, governance, functions and services required for defining a balanced portfolio of change and ensuring consistent delivery of programmes and projects across the department. Tasks include: • aggregated reporting to department governance committees on project progress, risk status, budget status • prioritisation of portfolio of projects to ensure best use of resources is made across the portfolio. • provision of approved templates • management of interface with central agency guidance • maintenance of methodologies within the organisation • capability management of project staff • Matrix management of resource requirements for allocation to projects • Co-ordination of central agency reviews and reports

Key Management Roles and Responsibilities

Principle	Guideline
The **Programme / Project Director** oversees the dossier of projects. "*The Strategist*"	The Project Director may use a "Project Office" or another mechanism to co-ordinate and monitor the projects in the overall programme. Each project in the programme will have its own project manager.
The **Project Manager** directs day-to-day activities of the project team. "*The Planner and Controller*"	The Project Manager's ultimate responsibility is to the Executive. The role and responsibilities of the project manager include: • Reporting to the Executive (weekly, monthly and/or at significant milestones for large projects). • Day-to-day management of the project against the

Principle	**Guideline**
	approved project plan, budget and scope to deliver the specified objectives and benefits. • Ensuring the project is resourced and formally and efficiently planned. • Providing regular progress reports to the Project Board. • Delivering project plans, budgets, scoping and resourcing requirements and changes to the Project Board for approval. • Ensuring effective delivery of the business process changes, including documentation and training. • Undertaking full risk assessments, and developing and implementing risk mitigation strategies as agreed by the Project Board. • Ensuring full and proper quality assurance is carried out at regular intervals. Acting on the quality assurance findings and reporting progress on these to the Executive where appropriate. • Managing all third parties contracted during the project life cycle.
The **project team** performs work to deliver outcomes required and report to project manager against plan. "*The Delivery specialists*"	A project team may comprise business and technical specialists including, where appropriate, solution and risk management expertise.
A **reference/advisory group** provides technical and other advice to the project team as required. "*The Quality Team*"	Members of the reference/advisory group have specific expertise that may not be required on a full-time basis and is called on as needed. • Management of quality plan • Setting the quality standards • Audit of the deliverables as required

Monitoring Agencies: Roles and Responsibilities – what to look for

The lack of clear accountability structures within projects poses significant risks to the realisation of a successful outcome. It is one of the most common reasons for projects failing to deliver on time or within budget. Absence of leadership through senior management visibility and involvement in major initiatives can also lead to a lack of buy in to changes by staff.

Monitoring agencies should review and gain assurance that the proposed governance and management structures being put in place will work and are seen to be effective as the project proceeds. The critical components to review are:

- The proposed governance structure and documented roles and responsibilities:
- Who is responsible for what?
- How often is the governing body intending to meet?
- What is the involvement of the Chief Executive and other senior managers?
- What processes will the body follow for monitoring the progress and ‘health’ of the project?
- How will decisions be made and what are the escalation processes in terms of addressing major risks?
- The provision for quality assurance and the terms of reference for external QA expertise.
- IQA reports copied directly to Chief Executive.
- The allocation of the SRO role:
  - Is it at the appropriate level?
  - Is there clarity around the role and its responsibilities?
  - The level of experience the department has had with major initiatives and whether there are adequate in-house skills for project management and other project roles.
  - The overall capability and capacity of the organisation to govern and manage a major project.
  - Appropriate resource commitment to the project. (A common failing is that project responsibilities take a lower priority than day-to-day operational responsibilities)
- The output of any QRA process
- Audit and Security review arrangements are in place
- Whether Lessons Learned being captured and disseminated throughout the lifecycle of the project
- Ensure that the procurement processes meet the requirements of Government policy and procedures.

Post-implementation Review Roles and Responsibilities

Principle	Guidelines
The post-implementation review (PIR) is the responsibility of the SRO.	The post implementation review is undertaken after the project has been completed, ideally when benefits have begun to accrue. Typically a PIR should be conducted by someone independent from and external to the project team.
The PIR reviews the strategic outcomes to which the project contributed and evaluates the actual benefits against the expectations specified in the business case.	This review will: • Determine whether the benefits and time-lines, the project objective(s) and its critical success factors have been met. • Determine how well the project has achieved the goals set out in the business case. • Compare financial performance against the project budget. • Highlight what has been learned so that it can be incorporated into future projects. • Identify other opportunities to add additional value to the end product. • Identify the strengths and weaknesses of the project for future reference and action. • Make any other recommendations on the future of the system / project. The PIR provides the impetus for changing existing standard models within departments for estimating effort and costs for projects. The review findings will be used for similar projects in the future.
Appropriate support is deployed to assist with the PIR.	Specialist support to assist the review should be requested by the SRO and this may be internal or external. The department's internal audit unit should be involved, especially where financial transactions are involved. Include the supplier in the PIR process. The deliverable from this stage is the Post Implementation Report.
The PIR should examine how well the project was closed down and handed over to operations / business as usual (BAU)	Aspects of the handover to consider are – • Was technical and user documentation complete and fit for purpose? • Does the system as delivered meet user requirements in terms of functionality and ease of use? • How will de-scoped functionality or outstanding system errors be dealt with? • Is the BAU function adequately resourced? • Has responsibility been allocated for on-going contract management? • Is BAU appropriately funded? • Was receipt of the system into BAU signed off?

Example Governance Models provided for guidance.

Fig 3: Conceptual Governance Model – example only

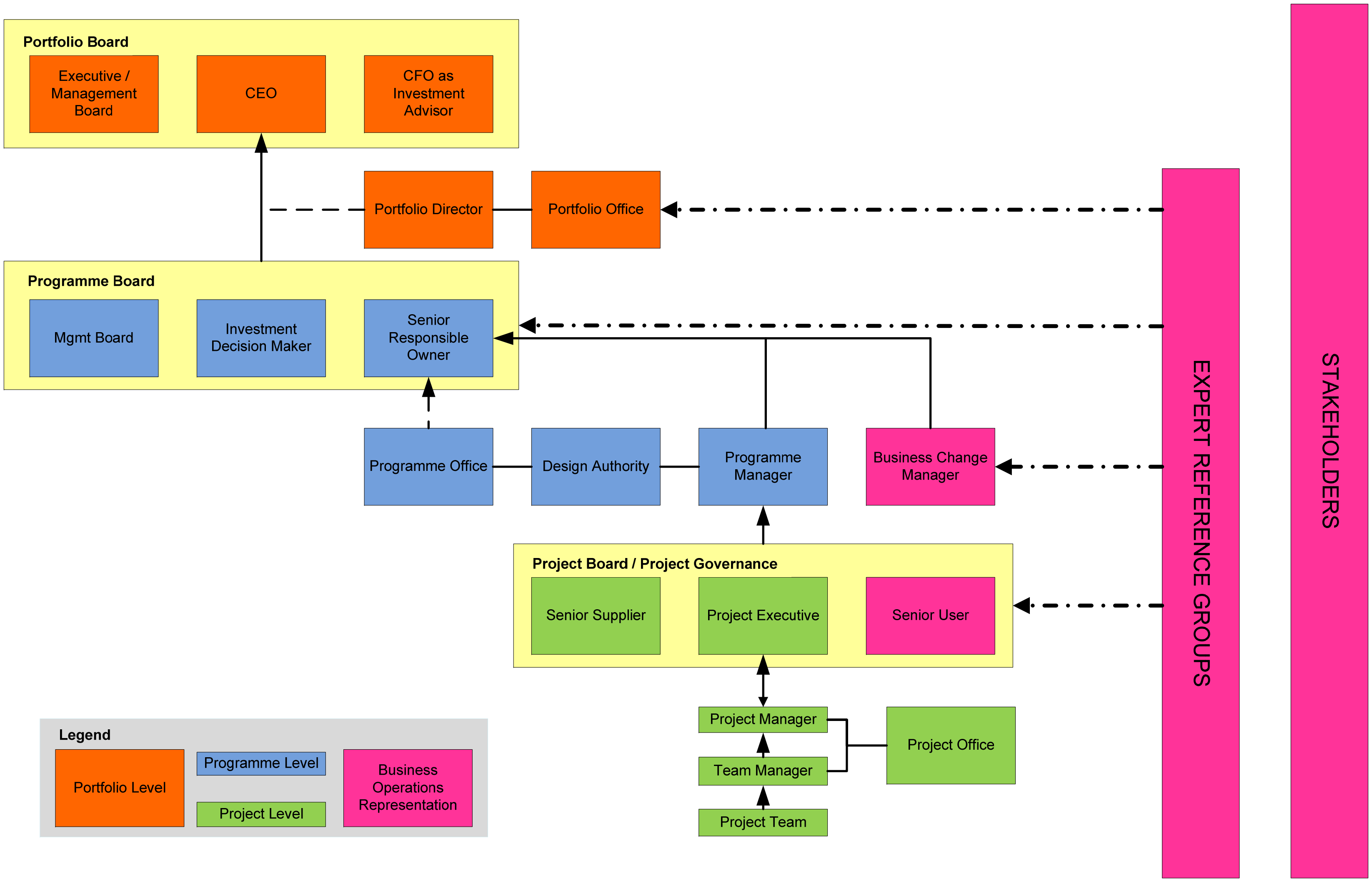
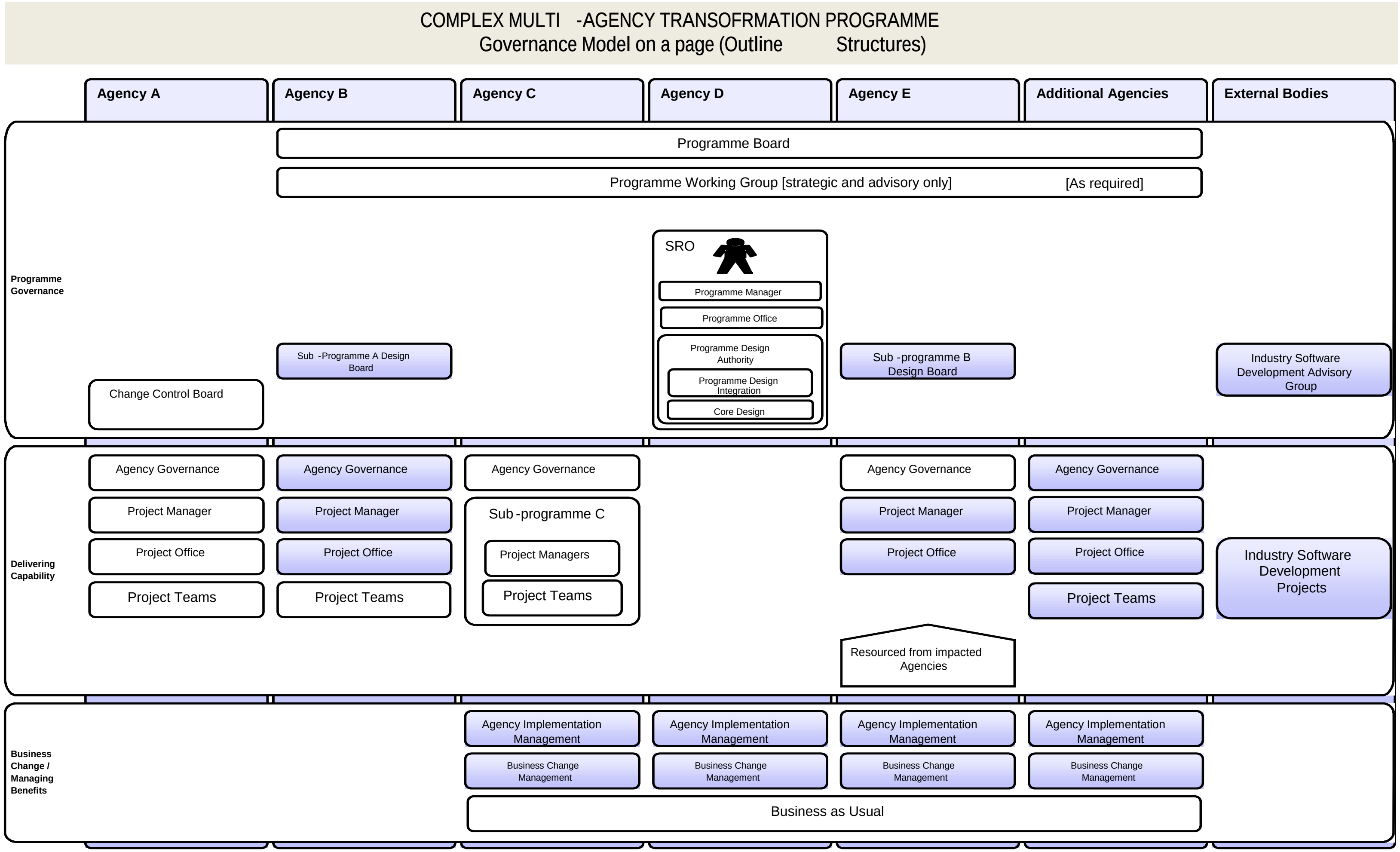


Fig 4: Multi Agency Governance Model – example only



SECTION 5: Project Management Processes

Departments have the responsibility for having a recognised project management methodology in place prior to executing any projects.

The Monitoring Agencies will seek assurance that project management practices follow the department's published methodology.

The majority of departments now use the OGC's suite of products; PRINCE2, Managing Successful Programmes (MSP), and Portfolio, Programme and Project Offices (P3O) as the prime methodologies. PMI's PMBOK, is complimentary to the OGC products.

Monitoring Agencies note that many departments have developed comprehensive hybrid methodologies.

New Zealand Government guidance directs the use of the AS/NZS ISO 31000 for risk management.

For major programmes it is expected that a proven substantial methodology supported by mature management tools and systems will be used.

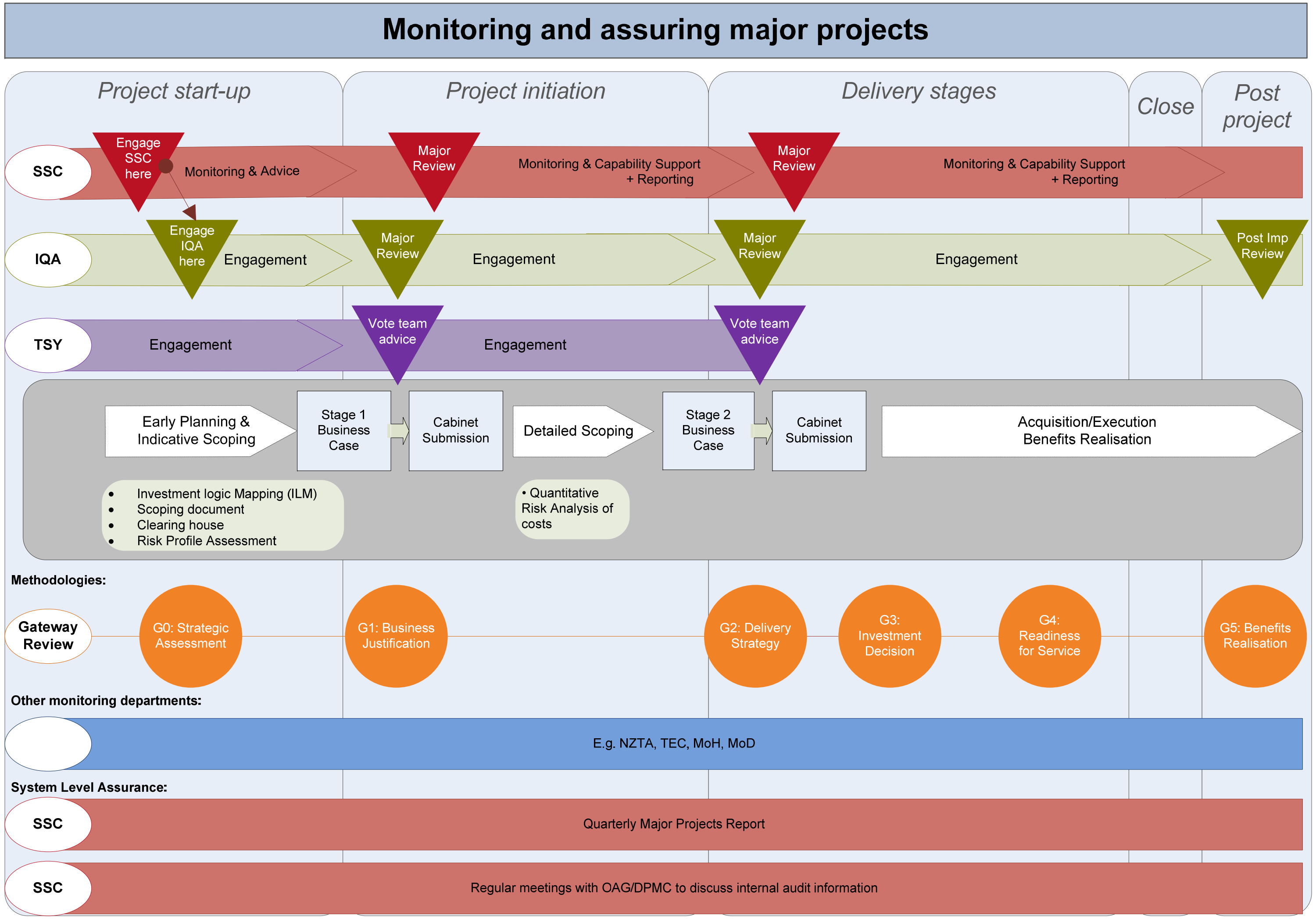
Departments are advised that investing in professional project and programme managers will improve the likelihood of success.

The use of professional dedicated programme and project managers to deliver monitored projects is mandatory when executing projects at the level described in Cabinet Office Circular CO(10)2.

Using non- professional or non-seasoned project and programme managers at this level is regularly noted as a reason for poor project performance in post implementation reviews.

Additionally, departments should not use unproven or inappropriate methodologies to run programmes and projects that fall into the Monitoring or Gateway regimes.

Fig 5: Project Life Cycle and the links with Assurance Activities



Agencies must be aware of the difference between project management methodologies and solution development methodologies, especially in ICT projects.

Solution Development Life Cycle (SDLC) methodologies are to be used to produce inputs into the project. They are not to be used to run the project. That is the clear domain of methodologies such as PRINCE2 and PMBOK.

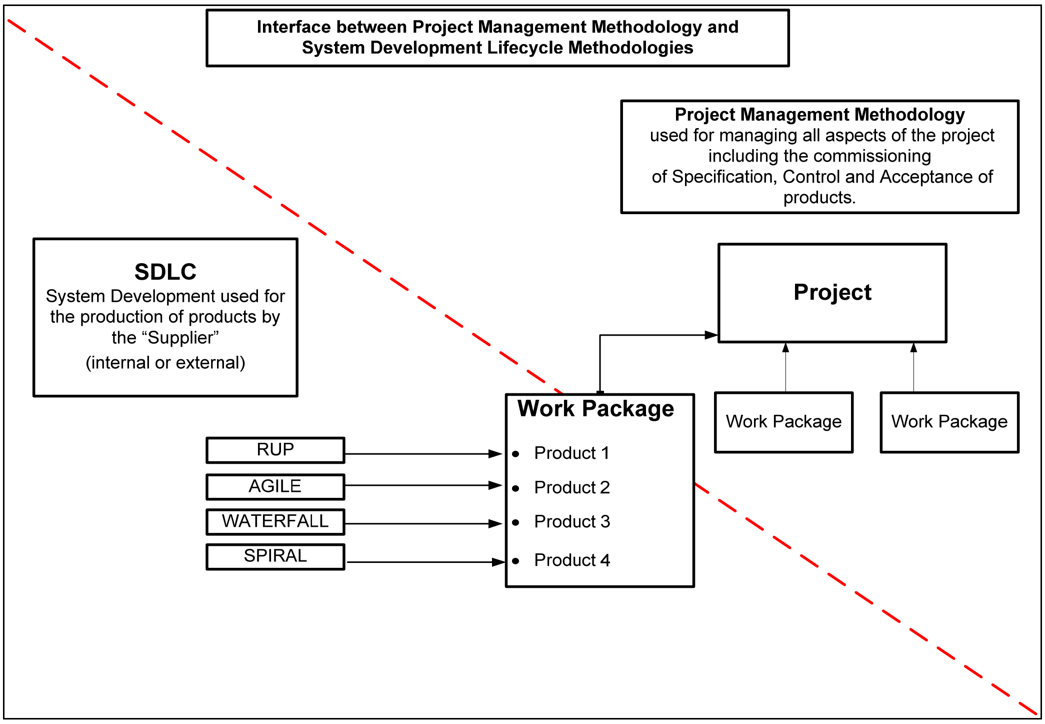


Fig 6: Interface between Project management Methodology and System Development Lifecycle Methodologies

Monitoring Agencies: Project Management Processes – what to look for

At initiation and planning:

Review the Project Initiation Documentation (PID) or Project Management Plan.

- Does it fully explain the objectives and scope of the project?
- Does it include all the key deliverables and milestones?
- Is the governance and management structure clearly set out?
- Ensure that the project has demonstrable fit with the organisation's declared strategy and that any project outcomes contribute to the Government's key priorities.
- Confirm that the Project Definition includes the critical success factors and that all the risks identified. Confirm that the likelihood of each risk occurring is quantified along with treatment strategies.
- Confirm that clear quality management processes around documents, files and a high level project plan exist and are being followed.
- Confirm the establishment of the Governance and project structure.
- Confirm with the department's Chief Executive that there is sound knowledge and proof of the prime contractor's capacity and capability to deliver.
- Confirm the experience of and support for the Project or Programme Manager.
- Confirm the experience of and support for the SRO.
- Check that a realistic resource plan been developed and that resources are available.
- Review whether there a good mix of business and technical skills proposed
- Confirm that there a good level of participation of users proposed.
- Check that the necessary approval processes been followed.
- Confirm that project induction and team training is proposed to launch the project.
- Check that the department's Chief Executive can confirm that all parties are ready to enter into the contract at the date the contract is due to commence.
- Review the detailed project plan. Look at the tasks, allocation of resources and timeframes and check that the project is broken down into modules or sub-projects.
- Check that there are sufficient skilled resources allocated.
- Check that the timelines are realistic.
- Confirm that quality management processes have been established for budget management, issues and risk registers and project documentation.
- Review all the other plans associated with the project for completeness, e.g. risk management, communication and change management plans.
- Gain an understanding of any specific methodologies that will be applied to the project.
- Check that the department has evolved clear distinction between software or solution development process and project delivery processes.

- Confirm with the department's Chief Executive whether the terms of reference and project plan have been reviewed by an independent expert, or determine whether such review is warranted.
- Review any expert reports (including those relating to quality assurance) for clarity of brief and adequacy of the report. Consider any matters that raise reservations or negative comments and ensure that any uncertainties or contradictions are resolved.
- Identify accountability for ensuring that outstanding errors are resolved.
- Identify accountability for prioritising any 'deferred enhancements'.

At implementation:

- Understand and track key task areas, costs, milestones and deliverables against the project plan and associated plans.
- Monitor progress against each of these on a regular basis as agreed with Sponsor / SRO
- Compare actual achievements against those planned. Question the reasons for any current or anticipated variances.
- View risk and issue registers. Track the status and resolution of these.
- Gain assurance that the stated development methodology is being followed.
- Seek assurance around the quality and effectiveness of communication, consultation and the management of business change.
- Seek assurance that that the portfolio management office is consistent and provides clarity of the portfolio views.
- Monitor other project documentation and the project's overall 'health', e.g. check that there is good communication in the project team, stress is being managed, and the right skills are available.
- Gain assurance that contractual relationships and contract terms and conditions are stable; i.e. there are no new risks or issues associated with these.
- Review the plan for transition from 'old' to 'new' and the plans for training and implementation of the new technology and/or system.
- Review any expert reports (including those relating to quality assurance) for adequacy and clarity of brief. Consider any matters that raise reservations or negative comments and ensure that uncertainties or contradictions are resolved.
- Confirm that satisfactory IQA has been executed through the life of the project
- Confirm the existence of a dependencies matrix and portfolio interfaces
- Review the results of any testing, including acceptable limits of error rates

At post implementation and closure

- Review the processes and procedures for formal closure.
- Confirm how the post implementation review will be conducted.
- Learned in discussion with the project sponsor and project manager.
- Evaluate the outcome of the post implementation review.
- Check test results and level of outstanding errors.

SECTION 6: Project Specific Requirements

This section covers the decision-making process on the technological approach and the fit between the new technology and the organisational infrastructure.

Monitoring Agencies: Technical Environment – what to look for

Without a good understanding of technology it is difficult to make judgements about the robustness of the functional and technical specifications or other technology related issues such as data conversion and migration. Monitoring agencies can complement their knowledge of the department with specialist technical expertise if required or warranted. This is particularly advisable when new or complex technologies are being proposed. Key aspects that need to be examined include:

- The comprehensiveness of the functional and technical specifications.
    - Do they sufficiently address the business requirements?
    - Do they provide a sound basis for proceeding?
- The evidence that the department has investigated all possible options for the required technology and has given appropriate consideration to 'off the shelf' solutions as opposed to design and build.
- The proof of concept for 'new, unproven or high risk technology'.
- The evidence that large IT infrastructure is 'unbundled' from applications solutions.
- The staged development and integration of modules.
- An assessment of the accuracy of the data to be migrated or created and early establishment of a data cleanse process.
- Detailed project plans including clear milestones and task allocations.
- Robust test processes; including data conversion, end to end testing and retest process.
- Code walk through, if applicable, and peer review process
- The change control processes and procedures and their strict application once a solution has been selected.
- The plans for data conversion, migration and testing.
- The plan for handing over the new technology and/or system to the business.
- Completion of successful site visits of vendor reference sites.
- Quality of deliverables that are fit for purpose.
- Have appropriate All of Government (AoG) standards such as e-GIF, GLS etc. been applied or properly considered?
- Have Treasury PPP guidelines been followed, if appropriate?

SECTION 7: Typical Detailed Monitoring Regime

<u>The following is the Central Agency Detailed Monitoring of Major Projects Base Template to Adapt for Specific Project Requirements, to clarify responsibilities</u>

Note: The following provides a template that can be modified as required to ensure departments are aware of their responsibilities and the role of Central Agencies relating to detailed monitoring of major projects.

XXXXX Project is subject to the Major Projects Monitoring regime. This paper sets out the purpose and proposed approach to Central Agency (CA) monitoring of XXXXX Project.

1 Major Projects Monitoring

The Major Projects Monitoring regime was established in 2000 to provide an across the system view and independent assurance about major projects underway in the public service. The major project monitoring is undertaken jointly by the Treasury, Department of Prime Minister and Cabinet (DPMC) and the State Services Commission (SSC).

The Project Monitoring Unit at SSC leads all monitoring activities, supported by the relevant Vote Analyst at Treasury. DPMC sometimes also provides specialist input to the monitoring function.

The formal directives relating to the regime and the obligations of monitored agencies and monitors are set out in Cabinet Directives and a Chief Executive Circular. These are attached as Appendices 2, 3, 4.

2 Purpose

The purpose of the monitoring regime is to provide independent advice and assurance to Ministers on the status of monitored projects. Central agency monitoring of projects will focus on tracking and reporting the extent to which the project/programme is tracking to plan, against budget, on time and realising expected benefits.

3 Scope of Monitoring interest

In giving effect to our monitoring role we need access to a sufficient level of formal documentation and maintain enough visibility of the programme to be able to form judgements and provide advice to Ministers on such matters as the extent to which the initiative:

- supports the Government's direction and policies
- will realise the department's business objectives for XXXX Project
- is "Fit for Purpose" i.e. neither unproven leading edge or obsolete
- minimises risks through effective governance and project management practices
- has been allocated sufficient and appropriate resources to the initiative
- is effectively managing contractual relationships with external consultants, contractors and vendor organisations
- is managed in accordance with the Mandatory Rules and Procurement Guidelines
- achieves planned milestones on time and within budget
- delivers the promised quantitative and qualitative benefits

- is underpinned by sufficient capability for the leadership, management and delivery of major projects.

4 Scope of Monitoring role

In terms of a specific project/programme, the monitoring agency role includes:

- reviewing and providing advice on the indicative business case and/or the detailed business case seeking approval for the project
- providing a mandatory Central Agencies comment in all cabinet papers accompanying business cases provided for Ministers consideration
- providing advice on the preparation and content of cabinet submissions supporting business case proposals, as well as cabinet report backs on business case and project delivery progress
- gaining assurance that the business impacts have been explored and that all risks (organisational, project specific, political, external) have been identified and mitigation strategies developed
- assuring, and if required, providing advice on project governance, project management and reporting structures
- gaining assurance that the necessary contract/s and relationship management principles are in place for external consultants and vendor organisations
- gaining assurance that the right resources and skills are being applied to the project
- assuring the quality of project scoping and planning
- monitoring and providing comments on progress as the project proceeds
- assuring that effective quality assurance is in place
- agreeing the scope of Independent Quality Assurance (IQA) activity before it commences
- reviewing all IQA reports and meeting with IQA service Providers as required
- maintaining a panel of preferred Quantitative Risk Analysis (QRA) service providers and advising on QRA activity as required
- reporting to Ministers in a quarterly report and on an ad hoc basis as required.

5 Conduct of the monitoring

Our proposed approach to the major project monitoring for XXXXXX Project has three elements:

1. Pre-implementation
2. Ongoing monitoring
3. Specifics related to conditionality of funding.

The proposed activity for each element is set out below.

5.1. Pre-implementation – Monitoring engagement

1. CA input to relevant terms of reference for any independent review work to be performed; monitoring agency to meet with the independent reviewer prior to the review starting

2. Central agencies receive for comment the near-final drafts of major project documents including the project/programme plan, individual project plans, benefits management plan, quality plan, dependencies management plan and where appropriate, the Investment Logic Map and Concept Brief.
3. An Independent Quality Assurance review of the Project Initiation documentation (PID) that covers:

- Governance of the Programme/Project
- Leadership of the Programme/Project
- Project management (including project management capability and resources) of the Programme/Project
- Change management (including change management capability and resources) associated with the Programme/Project
- Risk management of the Programme/Project
- Workforce strategy component of the Programme/Project
- Dependencies management plan
- Benefits realisation management plan
- Procurement strategy component of the Programme/Project
- Internal and external communications strategy of the Programme/Project.

5.2. Ongoing Monitoring engagement

1. Central agencies have ex officio membership of the Programme Board (observer status only)

2. Central agencies receive monthly progress reports prepared for the Programme Board

3. Monthly meetings for CA representatives with the Senior Responsible Owner (SRO) and the Programme Director/Project Manager

4. Quarterly meetings with the SRO and Programme Director focused on issues, risks and mitigations.
5. Central agencies will submit a quarterly monitoring report on the Programme to Ministers. This report will be circulated to the Department for information.

6. Annual presentation by the Department on the programme to central agency chief executives and the Department leadership team.

7. Central agencies review and have opportunity to comment on near final drafts of major deliverables.

8. A formal quality assurance review is completed for each major deliverable and at milestone points.

5.3 Funding conditionality: monitoring milestone achievement & benefits realisation

(Example only, but becoming more common practice): Funding for the programme has been agreed as part of Budget XXXX on a conditional basis. The relevant paragraph in EGI Min (XX) XXX reads as follows:

EGI "directed the Department and central agencies [...] to make the release of some funding instalments conditional on the achievement of the agreed milestones".

The release of annual funding instalments beyond the XXXX financial year will be conditional on the achievement of milestones and promised benefits as agreed between central agencies and the department..

Milestones and promised benefits will need to be realised within a certain margin that is expressed as a percentage and is to be agreed between central agencies and the department. Central agencies are keen to work with the department during the Project XXXX planning phase, to agree the most appropriate milestones and measures. The initial draft list of proposed milestones is attached as Appendix 1.

Requirement to actively explore internal funding options

Furthermore, funding was agreed on the basis that the department will explore further internal funding options to offset the additional funding appropriated for the XXXXXX Project programme. The relevant paragraph in EGI Min (XX) XXX reads as follows:

EGI "directed the department to investigate further internal funding options [...] for the XXXXXX Project, and to report to the Cabinet Expenditure Control Committee on these options by XXXXXX".

The release of any funding beyond the XXXXX financial year will be conditional on the department investigating further internal funding options and reporting to ECC on these options by XXXXX.

Initial draft list of milestones and benefits

Example only for long-term programme – replace with elements specific to the project being monitored as required.

<table>
<tr><th></th><th>Savings ($m)</th><th>Staff</th><th>Project milestones</th></tr>
<tr><td>2012</td><td>1.4</td><td>1123</td><td>• Projects and teams put together
• Platforms built and populated by 20 percent
• Increased focus on understanding customers' current and future needs</td></tr>
<tr><td>2013</td><td>2.5</td><td>1060</td><td>• Annual asset management process is established
• Leadership is developed
• Programme of regular reviews is in place
• Standard platform is in place</td></tr>
<tr><td>2014</td><td>5.3</td><td>1028</td><td>• Reports produced off standard platform
• New standard suite for core infrastructure is developed</td></tr>
<tr><td>2015</td><td>6.9</td><td>979</td><td>• Other processes are migrated into standard platform
• XXXX migrated into social platform
• New administrative sources are introduced
• Shared databases will be used to manage all reporting</td></tr>
<tr><td>2016</td><td>9.0</td><td>994</td><td>• Development Plan in place
• Report on XXX
• Planned approach to opportunities for sharing infrastructure in place
• Access to data for researchers/advisors at workplace achieved
• All data is on standard platform
• All legacy systems are removed
• All standard platforms in place</td></tr>
<tr><td>2017</td><td>12.0</td><td>872</td><td rowspan="2">• All standard platforms and new infrastructure will be fully used
• Standard platforms will be reviewed
• Emerging new needs will be addressed
• The production of new reports will be planned (using the new IT infrastructure and standard platforms)
• Planning of XXX using the new infrastructure and standard platforms is under way</td></tr>
<tr><td>2018</td><td>13.4</td><td>807</td></tr>
<tr><td>2019</td><td>14.0</td><td>789</td><td rowspan="3">• All new infrastructure and standard platforms will be used and adopted to emerging needs, new reports and XXX delivery
• All staff numbers and financial benefits (efficiency savings and productivity gains) will be fully achieved.</td></tr>
<tr><td>2020</td><td>15.4</td><td>813</td></tr>
<tr><td>2021</td><td>16.6</td><td>839</td></tr>
</table>

SECTION 8: Glossary

Term	Definition	Source, authority
Business case	The fundamental document underpinning the justification and ongoing assurance of a specific project. It sets out the costs and benefits expected from the initiative and provides information on the deliverables, timeframes and organisational interdependencies for return on investment and benefit delivery.	Treasury, Better Business Case Guidelines
Business process re-engineering	The review and implementation of new ways of "doing business around here" that usually leads to the redesign of business and work processes as a result of the new system.	
Change control (project changes)	The process that is used to identify changes outside the scope of a specific project, tracking the changes and monitoring the impact on the system.	Department Project Methodology
Change management strategy and plan (relates to organisational change)	As part of the internal suite of project specific documents, this document records the principles and approach to change management. It sets out the processes to identify, respond to and manage the impacts a major change initiative and the impact this will have on the organisation and its people.	Department Project Methodology
Communication Plan	This is part of the suite of internal project specific documents. It sets out an overall communication strategy, the audiences, their degree of interest or influence and the type and means of information sharing, consultation and communication to be undertaken. It also details timeframes and allocates responsibilities; i.e. who is responsible for communicating what and when.	Department Project Methodology
Department	This is used generically to refer to any Government entity whose major projects are subject to the public sector monitoring regime and/or Gateway process.	Cabinet Office Circular CO (10) 2
Feasibility study	The research and report that determines the basis for developing a specific ICT project to the point of preparing a business case.	
Information Systems Strategic Plan (ISSP)	A 3-5 year plan that sets out the strategy and objectives to meet the business requirements as set out in the Strategic Business Plan. This plan identifies, in order of priority, the IT	Office of the GCIO, Department of Internal Affairs.

	initiatives planned by the department to support its strategic direction. It is required to align with the Directions and Priorities for Government ICT.	
Issues register	A project specific repository for any issues that arise during the project. It provides a means of documenting each issue through to conclusion. Each issue is allocated a unique tracking number and an owner.	Department Project Methodology
ICT system	Information Communications Technology that may include any or all of: hardware, software, networks or telecommunications that is implemented to meet the department's business needs.	
Portfolio Management	A co-ordinated collection of strategic process and decisions that together enable the most effective balance of organisational change and business as usual	OGC – Management of Portfolios.
Post-implementation review	At the end of a pre-determined time (usually linked to the warranty period) all parties to a specific project meet to review and report on the project processes and outcomes. This is a valuable learning exercise for all parties that can be shared and utilised in future projects.	Department Project Methodology
Project Initiation Documentation	A document(s) that contains the overall view of a specific project from the purpose and objectives of the system to be developed, through to a scope of the project and a high-level project plan. (Also referred to as a Project Management Plan).	Department Project Methodology
Project management life-cycle	A description of the phases required in the management of a project from the initial definition or concept through planning and implementation to completion and post-implementation review.	Department Project Methodology
Project Plan	An overall detailed working plan of all phases and modules of a specific project. It sets out the tasks, milestones, timelines, resourcing and dependencies. Each sub-project should also have a detailed working plan. The project schedule is a part of the project plan.	Department Project Methodology
Project Report	This is part of the suite of documents associated with a specific project. It provides a weekly account of progress to date against the project plan milestones, indicates the tasks	Department Project Methodology

	completed and planned for the next period, records the most significant issues and risks and what is being done to manage those risks.	
Proof of concept	Development of a prototype of the system to ensure that the design will meet the business benefits sought.	Department Project / SDLC Methodology
Registration of Interest (ROI) – also known as EOI (Expression of Interest)	The first part of a staged selection process that gives potential suppliers the opportunity to indicate their interest by sending contact details. The purpose of an ROI is to enable an agency to determine the likely level of market interest. It seeks basic information from interested suppliers to allow an initial evaluation of their suitability. An ROI is the first stage of a multi-stage tender process. It can be used to develop a shortlisted suppliers who will later be asked to submit full proposals/tenders through an RFP. An ROI can be used where there are potentially very large numbers of suppliers and it is not sensible to invite all to submit full proposals/tenders. An EOI is the same as a ROI.	Mandatory Procurement Rules – Ministry of Economic Development
Request for Information (RFI)	The purpose of an RFI is to get more information on and gain a better understanding of the suppliers in the market and their goods/services. It helps to identify the range of possible solutions available. It is **not** a request for offers and must not be used as a mechanism from which to directly select suppliers. The second stage of the selection process that provides a more detailed outline of the project and offers those vendors who responded to the ROI the opportunity to provide further more detailed information. **Typically issued after approval of the Stage 1 Indicative Business Case.**	Mandatory Procurement Rules – Ministry of Economic Development
Request for Proposals (RFP)	The final stage in the selection process in which the department prepares a fully documented set of requirements that is issued to suppliers whose RFI responses were evaluated as being able to meet the requirements for the new system. An RFP is used if you want to receive proposals for goods/services. Typically, the agency is open to innovation in the type of product or how the services	Mandatory Procurement Rules – Ministry of Economic Development

	are delivered. The outputs and outcomes are important, rather than the process that the supplier follows to deliver them. Interested suppliers are invited to submit proposals, giving details of how their goods or services will deliver the outputs and outcomes, along with the proposed prices. **Typically issued after approval of the Stage 2 Detailed Business Case.**	
Risk management plan	An assessment of all the risks and their likely impact. It is part of the internal suite of documents associated with a specific project. Plans for assessment of each of the risks and includes options for accepting, eliminating or managing them.	Department Project Methodology
Risk register	This is a register of all the risks, their consequences and likelihoods, actions and their owners for a specific project. The register is continuously monitored and updated during the life of the project.	Department Project Methodology
RF*x* selection process **ROI – Registration of Interest** **RFI – Request for Information** **RFP – Request for Proposals**	The three staged process that can be used to narrow down the list of suppliers to eliminate unlikely candidates at each stage, while at the same time ensuring transparency and contestability. The three phases are more likely to be used together when the department expects the requirement will attract a large number of potential suppliers. The selection process is accompanied by pre-determined criteria set by the department.	Mandatory Procurement Rules – Ministry of Economic Development
Risk Profile Assessment (RPA)	A self assessment tool, downloadable from the SSC Gateway Unit web page, comprising 26 multiple-choice questions. These are designed to identify, at a high level, the presence of risk indicators for a project. On completion of the form, the project will be scored Low, Medium or High Risk for Monitoring and Gateway purposes.	SSC Gateway Unit
Software or Solution Development Life-cycle	A component in the project life cycle that describes the steps in the software or solution development process from defining the requirement through design and development to implementation and post-implementation review.	Department Project / SDLC Methodology
Sources of Assurance	Existing processes, systems and controls within a department used to provide management with an	Department Project Methodology / SSC Major Projects Unit.

	appropriate level of assurance that the project is proceeding to the agreed plan.	
Strategic Business Plan	An overall plan for the department that sets out the strategic goals and objectives for the department. This is usually over a three to five year period.	Department Planning Function
User acceptance testing	The system testing phase of a project during which users test functionality and accuracy against requirements and report any faults or problems they experience that need to be fixed (or that trigger the change control process) by the supplier(s) before the system is accepted (and paid for).	Department Project / SDLC Methodology
Warranty period	The period immediately following “go live” of a new system during which users report faults or problems they experience that are fixed by the suppliers at (usually) no additional charge or that trigger the change control process for further work.	

SECTION 9: References

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- Cabinet Office Paper, EGI (10) 226, Directions and Priorities for Government ICT, www.dia.govt.nz/About-us-Our-Organisation-Directions-and-Priorities-for-Government-ICT
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- CobiT (Control Objectives for Information and Related Technology) www.isaca.org/Knowledge-Center/COBIT/Pages/Overview.aspx?utm_source=homepage
- COBIT has been developed as a generally applicable and accepted standard for good information technology (IT) security and control practices that provides a reference framework for management, users and IS audit control and security practitioners.
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- Office of Government Commerce, OGC, An executive Guide to Portfolio Management.
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