Introduction

The purpose of this report is to present the Lessons Learned on project management since the implementation of the Australian Government’s Gateway Review Process (Gateway). Australian Government Gateway Reviews commenced in August 2006 and this report is based on the reviews completed during the 2006-07 financial year. The majority of these reviews were Gate 1 Business Case and Gate 2 Procurement Strategy reviews.

Lessons Learned are defined as observations arising from Gateway reviews which highlight opportunities for improvements in project management practice in Financial Management and Accountability Act 1997 agencies.

The Gateway Unit identifies Lessons Learned by reviewing the Gateway Review Reports and recommendations from completed reviews to identify any trends in the types of issues emerging. Emerging issues can be by way of recommendations to improve deficient practices or recognition by a review team of good practice already being applied by an agency to a project.

Overall, the Gateway reviews conducted to date have found that agencies approach the management of major projects in a structured and outputs focussed manner. However, aspects of project planning and management could benefit from adopting better practices. The absence of this better practice increases the risk of projects failing to realise their intended benefits and failing to deliver on time and on budget. The Lessons Learned articulated in this report highlight opportunities identified for the adoption of such practices.

In compiling the Lessons Learned, two key observations stand out. Firstly, agencies are generally proactive in preparing the initial paperwork for a project: a form of Business Case, a proposed Project Management Plan and Stakeholder Management Plan (Communication Strategy), and a risk assessment with potential risk mitigation strategies identified. However, many projects are not following through on these documents, and as such they are not informing project decisions and are not retaining their currency and relevance to the projects.

Secondly, and equally important, Gateway reviews conducted to date have found that the quality and robustness of Business Cases needs to improve. The business case is critical as it provides the case for undertaking the project including setting its initial objectives, scope, and cost. If a comprehensive business case is not prepared prior to commencement and funding approval, the risks to the project’s success are immediately increased. The business case also needs to be regularly reviewed to reflect significant changes to the project environment so that it provides an up to date case for the project throughout its life.

The Lessons Learned are grouped into seven areas:
1. Business Case and Project Planning;
2. Stakeholder Management;
3. Project Staffing;
4. Governance;
5. Risk Management;
6. Sourcing Strategy; and

These are the areas in which issues were identified for a majority of projects and they are presented in order of the frequency with which they were observed.

At the end of the report references are provided to Australian Government better practice guidance and other well established better practice guidance.
1. Business Case and Project Planning

- Agencies should develop and document a comprehensive and robust Business Case. This document should clearly articulate the project:
  - outcomes and/or objectives (as well as links to the relevant policy or programme);
  - scope;
  - assumptions and any limitations;
  - solution options, options analysis and preferred option;
  - resourcing and costs;
  - critical success factors;
  - key dependencies;
  - key performance measures; and
  - risk assessment and management strategy.

- The Business Case should be endorsed by the Project Sponsor and used to inform all key decisions on the project’s direction and management.

- Agencies need to recognise that Business Cases and Project Management Plans (PMP) are not stagnant documents. These documents should be regularly referred to and reviewed to maintain their currency and value to a project.

- Critical success factors should be part of any Business Case. They are not something to commence development of part-way through a project. They should reflect the objectives of the project, be quantifiable, and enable measurement of progress and success.

- To support the achievement of the objectives outlined in the Business Case, agencies should adopt a single, documented Project Management Methodology and articulate within a detailed PMP the strategy and approach to the project.

- In particular, the PMP should include important information agreed to in the Business Case such as the project outcomes and/or objectives, scope and project deliverables. It should also reference other key project documentation such as the project schedule and work breakdown structure (including the critical path, key dependencies and key milestones), resourcing strategy, governance arrangements, and risk management strategy.

- The PMP should be known and communicated to all Project Team members and its use and maintenance embedded in project practices at all levels.

- Agencies should also have a mechanism in place to ensure that they reflect on lessons learned on similar projects previously undertaken when formulating and managing these strategies and documents.
2. Stakeholder Management

• Many projects establish either a Stakeholder Management Plan or Communication Strategy shortly after a project has commenced but not necessarily both and often do not keep the documents current or do not follow the strategies outlined.
• Agencies should develop and document a detailed Stakeholder Management Plan, as well as a Communications Strategy early in the project’s life, both of which:
  – identify internal and external project stakeholders;
  – discuss the nature of their interest or involvement in the project;
  – consider the information needs of these parties and the expectations to be managed;
  – propose communication strategies and methods to engage with stakeholders;
  – consider the frequency of communications to maintain effective relationships; and
  – propose strategies and methods to manage and resolve issues that may arise.
• These documents should be regularly reviewed and updated to reflect changes in stakeholders’ involvement or their needs, and to benefit from lessons learned on the effectiveness of the strategies already employed.
• Many projects could also improve their communications with external stakeholders.

3. Project Staffing

• The current high level of new ICT development across Government requires significant ICT personnel and this can potentially put timing, resourcing and cost pressure on all agencies in delivering not only new projects, but in maintaining their routine ICT operations.
• Agencies should look to transfer skills from contractors to in-house staff wherever opportunity permits.
• Agencies should develop and document the project’s resourcing strategy as fully as possible, including covering all skill sets, identifying key resources and tasks, and identifying known skills shortages. The strategy should include:
  – retention strategies for key resources including contract resources; and
  – a recruitment plan that takes into account lead times to recruit and induct new staff. Advice on the project management methodology and documentation should be provided as part of the induction.
• Resourcing strategies for some projects have included looking outside Canberra to source ICT personnel to help meet resourcing requirements.
• Agencies should regularly revisit their resourcing strategy to ascertain whether resources allocated to project functions are adequate, appropriately skilled and experienced, and at the appropriate level.
• In particular, the Project Manager should be qualified, experienced and dedicated to the project and have appropriate authority and access to resources in order to deliver on the approved Business Case and Project Management Plan.

4. Governance

• Whilst many projects establish governance frameworks at the commencement of a project, the roles of those bodies (in particular, Committees) are often not clear. There is often confusion between an advisory function, a decision-making function and a stakeholder function.
• Project governance arrangements should be clearly documented to clarify the structure, roles, responsibilities, authority and decision making boundaries and reporting obligations/needs of the:
  – Steering Committee;
  – Other Committees;
  – Project Owner;
  – Project Managers; and
  – Project Team.
• Governance arrangements should also detail any relevant obligations in relation to stakeholder groups/forums, and link strongly to the change control arrangements.
5. Risk Management

- Agencies are generally proactive in conducting an initial risk assessment of a project. The majority of projects also identify risk mitigation strategies as part of that initial assessment and prioritise their proposed treatments of the risk. However, like many other areas of project documentation initiated at the commencement of a project, many projects are not following through on these documents, they do not check that actions are being taken on risk mitigation strategies and do not keep their risk and risk treatment registers current throughout the life of the project.

- A Risk Management Strategy and Plan should be developed based on a sound framework such as the Australian and New Zealand Standard AS/NZS 4360:2004 : Risk Management or equivalent. It should give a consolidated view of the project’s approach to risk management across all aspects of the project and provide guidance and a suggested approach to the escalation of issues.

- A comprehensive Risk Assessment should be conducted for the project and the results documented within a Risk Register or equivalent. The Risk Assessment should:
  - identify all relevant project risks, their likelihood and consequences;
  - detail the proposed mitigation strategies and cost to mitigate;
  - the residual level of risk and its treatment; and
  - allocate responsibility for the resolution or management of each risk to an appropriate person to enable periodic reporting.

- Risk management should be embedded into project practice and governance arrangements (for example, inclusion as a standing agenda item for steering committee meetings).

- Risks should be monitored and included in project reporting and risk management documents updated as required.

6. Sourcing Strategy

- The speed with which projects progress can surprise agencies. In particular, the time between the approval of a project and commencement of the sourcing solution to deliver a project can be very short. Therefore, agencies need to consider their proposed sourcing strategy as early as possible in the project’s life-cycle.

- A sourcing strategy and plan should be developed that sets out:
  - the objectives and risks;
  - the process to achieve objectives;
  - clear delineation of work packages;
  - what work will be sourced internally and externally;
  - methods to complete each procurement and manage the contracts;
  - management of compliance obligations; and
  - how to demonstrate value for money.

7. Financial Management

- In large projects, keeping track of expenditure against the projected budget can be complex and can quickly prove problematic if there is not an understanding of the requirements by all relevant staff, in particular project management staff. Advancing progress on a project has a strong link to expenditure on the project.

- The project budget should be clearly documented, including funding, costs and the underlying assumptions. This should be updated as required.

- Management of the project budget should include project specific financial reporting, forecasts and management of costs against scope and deliverables.

- Project management staff need to understand the importance of financial forecasting and its implications for the project’s delivery.

- Agencies need to understand the true market costs for services they are procuring. This is particularly the case with respect to contractor costs, where underestimation of this expense can rapidly consume the budget of a project and potentially place a project in financial difficulty if compromises in deliverables or timing are not made.

- Where appropriate, agencies should give greater consideration to having components of the project delivered on a fixed price delivery model, rather than relying solely on time and materials based contracts.
Better Practice Guidance

Project Management Practice (covering all areas)
Australian National Audit Office/Department of the Prime Minister and Cabinet,
Project Management Institute, Project Management Body of Knowledge (PMBOK) Guide
Office of Government Commerce UK, PRINCE2
Office of Government Commerce UK, Successful Delivery Toolkit

Business Case and Project Planning
Department of Finance and Administration, ICT Business Case Guide, September 2006
Department of the Prime Minister and Cabinet, Guide to Preparing Implementation Plans

Governance
Standards Australia, AS8015-2005: Corporate Governance of Information and Communication Technology, 2005

Risk Management

Sourcing Strategy
Australian National Audit Office/Department of Finance and Administration, Better Practice Guide: Developing and Managing Contracts, February 2007
Department of Finance and Administration, Commonwealth Procurement Guidelines, January 2005

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