



New South Wales
TREASURY

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) CAPITAL INVESTMENT PROCESS

Office of Financial Management

Policy & Guidelines Paper

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PREFACE

Government Total Asset Management (TAM) and procurement policies assist agencies to make appropriate and informed investment decisions that ensure better value for money and support the efficient and effective delivery of government services. Information and Communications Technology (ICT) is an important area of investment underpinning many key government services.

The ICT capital investment process detailed in this Policy and Guidelines Paper (the “Guideline”) is aimed at ensuring agency ICT expenditure effectively and efficiently supports government service delivery priorities and is aligned with the *NSW Government ICT Strategic Plan*.

The requirements outlined in the Guideline are an extension of the procurement policy and TAM policy reforms outlined in Treasury Circulars NSW TC 04/07 and TC 04/09 and are designed to reduce and better manage the inherent risks in ICT investments. The requirements include aligning ICT investment planning with TAM planning and the *NSW Government ICT Strategic Plan*, defining the roles of Treasury, the Government Chief Information Office (GCIO) and agencies. Requirements for ICT governance and procurement processes, ICT Strategic plans, business case development, Gateway reviews, agency reporting and Treasury assessment and monitoring mechanisms have also been updated.

The requirements in this Guideline apply on a whole-of-government basis to all government departments, statutory authorities, trusts and other government entities. Entities subject to the *State Owned Corporations Act* are not subject to the Guideline but are encouraged to adopt aspects of the ICT capital investment process that are consistent with their corporate intent.

The Guideline applies to all types of ICT investments, including asset replacement, software upgrades and projects, irrespective of the source of funds or the method of financing (owned or leased).

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Secretary
NSW Treasury
November, 2006

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<p>General inquiries concerning this document should be initially directed to: <u>Michael Toohey</u> (Tel: 9228 4616, or E-mail: michael.toohey@mail.treasury.nsw.gov.au) of NSW Treasury. This publication can be accessed from the Treasury’s Office of Financial Management Internet site [http://www.treasury.nsw.gov.au/]. For printed copies contact the Publications Officer on Tel: 9228 4426.</p>

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INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) CAPITAL INVESTMENT PROCESS

INTRODUCTION

This Information and Communications Technology (ICT) Capital Investment Process Guideline (the “Guideline”) updates and improves existing processes and introduces new initiatives to better manage ICT risks so Government gets a better return on its considerable investment in ICT.

The Guideline brings the ICT capital investment process into the same governance framework as the rest of Government’s capital investment program. This framework, which includes enhanced Treasury assessment and monitoring, was approved by Cabinet and was advised to agencies through a Treasury Circular issued in July 2004.

The Guideline updates government Total Asset Management (TAM) and procurement policies relevant to agency ICT capital investments and is an extension of procurement policy and TAM policy reforms outlined in Treasury Circulars NSW TC 04/07 and TC 04/09. Initiatives include clearly linking ICT investment planning with Total Asset Management planning and defining roles of Treasury, the Government Chief Information Office and agencies. ICT governance and procurement processes which link procedures such as business case development, mandatory Gateway Reviews at the strategic planning and business case stages, agency reporting and Treasury assessment and monitoring mechanisms have also been enhanced.

The full range of the requirements in the Guideline applies on a whole-of-government basis to all government departments, statutory authorities, trusts and other government entities. Entities subject to the *State Owned Corporations Act* are not subject to the Guideline but are encouraged to adopt aspects of the ICT capital investment process that are consistent with their corporate intent.

This Guideline applies to all types of ICT investments, including asset replacement, software upgrades and new projects, irrespective of the source of funds or the method of financing (owned or leased).

RESPONSIBILITIES: NSW TREASURY, GOVERNMENT CHIEF INFORMATION OFFICE AND AGENCIES

NSW Treasury, the Government Chief Information Office and agencies must properly fulfil their roles for Government’s ICT investment to be efficient and effective.

NSW Treasury is responsible for whole-of-government policy for TAM and procurement, including ICT. Treasury assesses and monitors ICT capital investments by agencies and advises Budget Committee where appropriate. The level of Treasury assessment and monitoring depends upon project value and risk, and applies equally to Budget and internally funded proposals.

The Government Chief Information Office (GCIO) is responsible for developing government-wide ICT strategy, reviewing agencies’ draft ICT Strategic plans, promulgating standards and implementing and reviewing the *NSW Government ICT Strategic Plan*. Progress in implementing the *Plan* and achieving associated savings targets will be reported by the GCIO to Government every three months.

The GCIO also advises NSW Treasury on maximising the cost effectiveness of government ICT investment and compliance with the *NSW Government ICT Strategic Plan*.

Agencies have ultimate responsibility for the efficiency and effectiveness of their procurement and for implementing TAM and procurement policy. Agencies’ individual ICT Strategic plans must be consistent with the *NSW Government ICT Strategic Plan* and their procurement activities must comply with the Public Sector Management (Goods and Services) Regulation 2000 as appropriate.

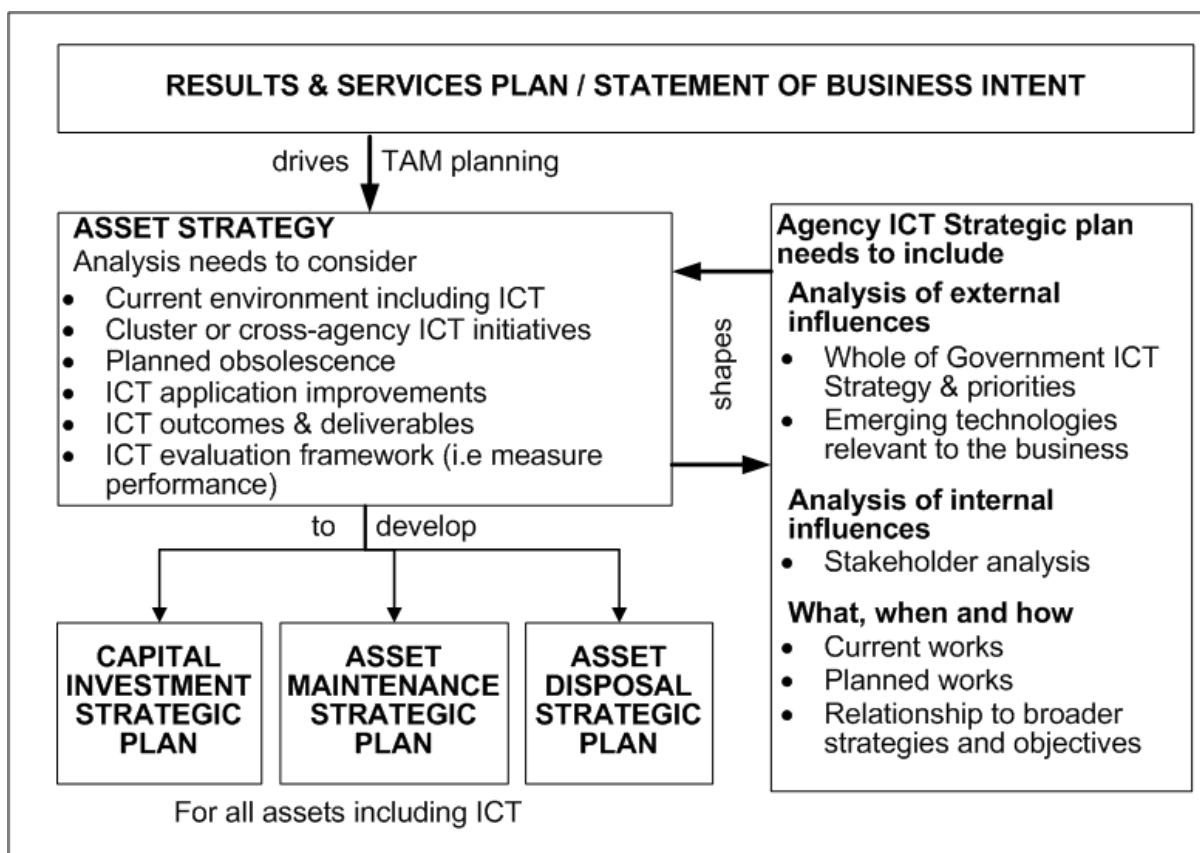
The *NSW Government ICT Strategic Plan* can be found at <http://www.gcio.nsw.gov.au/>.

SERVICE DELIVERY, TOTAL ASSET MANAGEMENT AND INFORMATION AND COMMUNICATIONS TECHNOLOGY STRATEGIC PLANNING

The term “Information and Communications Technology” (ICT) is used throughout this Circular and supersedes the term “Information Management and Technology (IM&T)”.

Understanding the relationship between service delivery, TAM and ICT strategic planning is critical to ensuring the most effective and efficient management of an agency’s entire physical asset base.

The relationship between the Results and Service Plan/Statement of Business Intent, the development of an Asset Strategy, including ICT and what else needs to be considered in an agency’s ICT Strategic plan is shown in the following diagram.



TOTAL ASSET MANAGEMENT (TAM) PLANNING

An agency's TAM plans outline the physical assets required to deliver the services outlined in its Results and Services Plan (RSP)/Statement of Business Intent (SBI).

TAM planning requires integrated planning of all physical assets to optimise the asset mix and prioritise asset needs. Through an Asset Strategy agencies determine the asset base, including ICT, needed for their business and service delivery as defined by their Results and Services Plans or Statements of Business Intent. The Asset Strategy enables assessment of asset gaps and risks to an agency's business and service delivery.

Agencies are required to submit TAM plans to Treasury by 31 August each year.

A full description of the TAM framework is located on the Treasury website <http://www.treasury.nsw.gov.au/tam/tam-intro.htm>.

ICT STRATEGIC PLANS

An agency's ICT Strategic plan includes analysis of external and internal influences, stakeholder analysis and drives its ICT asset strategies. The ICT Strategic plan and TAM plans are interdependent.

Agencies must align their ICT Strategic plans with their overall service and business priorities outlined in their Results and Services plans, or Statements of Business Intent, and the *NSW Government ICT Strategic Plan*. Agencies are required to use the template developed by the GCIO in completing their ICT Strategic plans.

ICT Strategic plans must provide at least a ten year outlook and be aligned with budget forecasts and the TAM Capital Investment Strategic plan timeframes. Because technology change can make detailed long term ICT strategic planning difficult, ICT Strategic plans should be annually updated as agency corporate plans or preferred technology platforms become more certain.

Agencies with total annual expenditure of \$20 million or more are required to prepare and submit to Treasury a separate ICT Strategic plan. Agencies with total annual expenditure less than \$20 million need not prepare a separate ICT Strategic plan and can incorporate it as part of their TAM plans.

Overarching ICT Strategic plans are also required for multi-agency programs, cluster and shared service organisations.

Agencies are required to forward their ICT Strategic plan together with their TAM plans to NSW Treasury by 31 August each year.

Draft ICT Strategic plans are also required to be sent to the GCIO by 30 June each year. The GCIO will review these plans to ensure alignment with whole-of-government ICT standards, directions and priorities as outlined in the *NSW Government ICT Strategic Plan*. This may result in amendments which will be incorporated in the ICT Strategic plan submitted to Treasury.

Information on what is required in an ICT Strategic plan, including the required template is on the GCIO website at <http://www.gcio.nsw.gov.au/> .

Agencies may elect to use external expert resources to assist in the development of ICT Strategic plans. Details of a panel of prequalified experts for this purpose are provided in the section titled *Prequalified Expert Panels and Funding to Assist Agencies*.

ICT PROCUREMENT POLICY

The Government procurement policy framework, located on the Treasury website, contains an ICT specific procurement process map with links to relevant guidelines/policies:

<http://www.treasury.nsw.gov.au/procurement/information.htm> . The 10 stage process guides agencies through necessary preliminary planning, investment justification, funding, delivery and evaluation requirements to help achieve effective and efficient outcomes and apply the right discipline to ICT procurement. This includes compliance with the Public Sector Management (Goods and Services) Regulation 2000 and use of State Contract Control Board panel contracts as appropriate.

Treasury will assess and monitor major ICT capital investments throughout their full procurement cycle. This includes assessing whether an investment is achieving the objectives of its original business case. The degree of assessment and monitoring will depend on project value and risk.

GOVERNANCE SCHEME FOR ICT INVESTMENT

Compliance with the ICT investment governance scheme, designed to improve the management of government investment in ICT by agencies, and outlined below, is effective immediately. The scheme applies to strategic planning, business case development and procurement/delivery stages of ICT investments, and covers asset replacement, software upgrades and new projects, irrespective of the source of funds.

Agency obligations under the ICT procurement governance scheme, including reporting to Treasury vary, and will be determined by the estimated total cost (ETC) and risk profile of each project.

The following sections describe what is required at each phase of the investment process. Flowcharts outlining key activities for agencies, Treasury and GCIO for each investment phase are provided in **Appendix One**. **Appendices Two** and **Three** provide details on documents to be prepared by agencies and those to be provided to Treasury.

PLANNING PHASE

This stage includes all activity from initial planning (TAM and ICT Strategic plans), investment justification, including preparation of business case documents, independent reviews and submission of proposals to Treasury for assessment.

The following requirements apply irrespective of whether the proposed investment is to be self-funded or Budget funded, and to specific projects intended to be funded from a capital program with an approved global budget.

Agencies must carry out their TAM and ICT strategic planning to identify and provide essential context for potential ICT investments. In this planning phase, appropriate liaison with the GCIO will be required to ensure compliance with the *NSW Government ICT Strategic Plan*. As threshold levels defining agency actions, including reporting to Treasury are determined by project value and/or risk, where a potential ICT investment is estimated to cost \$250,000 or more, agencies must undertake a project risk profile assessment using the Gateway Project Profile Assessment Tool, available at www.asset.gov.com.au/ppa.

A mandatory Gateway Review must be undertaken at the strategic planning stage for all potential ICT investments assessed as high risk, by the Gateway Project Profile Assessment Tool, or estimated to cost \$1 million, or more. This is undertaken to provide an independent assessment of whether the proposal is aligned with Government priorities and the agency's ICT strategic and TAM plans and if the proposed investment represents best value to meet community needs as defined by the agency's RSP or SBI.

In order to proceed to the next stage of the investment justification process, agencies are required to prepare a business case irrespective of estimated project cost or assessed project risk profile.

For any ICT investment proposal assessed as high risk or with an estimated total cost of \$5 million or more, agencies must also conduct a Gateway Review of the business case.

Business case templates can be downloaded from the GCIO web site at <http://www.gcio.nsw.gov.au/pages.asp?CAT=764&ID=771>.

Agencies may elect to use external expert resources to assist in the development of ICT business cases. Details of a panel of prequalified experts to assist agencies for this purpose are provided in the section titled *Prequalified Expert Panels and Funding to Assist Agencies*.

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DELIVERY PHASE

The delivery stage follows the planning phase and is where the ICT solution is actually implemented.

Agencies must be able to demonstrate throughout the delivery phase that the project is progressing as planned and the business case objectives are being or will be achieved. This may include the preparation of various reports, including a Procurement Strategy Report, Pre-Tender Estimate Report, Post-Tender Review Report, Quarterly Status Report, Project Quality Assurance Report and Post Implementation Review Report.

The annual Project Quality Assurance Report must be prepared independently of the project management team. The Report may be prepared by qualified internal resources, such as an internal audit unit, or agencies may use external expert resources. Details of a panel of prequalified experts for this purpose are provided in the section titled *Prequalified Expert Panels and Funding to Assist Agencies*. Use of this panel to prepare Project Quality Assurance Reports is mandatory for projects with an ETC of \$20 million or more.

GATEWAY REVIEWS

Gateway Reviews are facilitated by the Department of Commerce, on behalf of Treasury, at no cost to agencies (although agencies will be required to fund specific review costs such as venue, copying of documentation, time of their personnel).

Other than the mandatory Gateway reviews at the strategic planning and business case stages, agencies are encouraged to conduct Gateway Reviews on lesser value ICT procurements or at other stages (gates) in the procurement cycle, especially if there are doubts regarding the status of the project.

To arrange Gateway Reviews, agencies need to contact the Department of Commerce helpdesk on phone 9372 8600.

Further details on Gateway Reviews are available at

<http://www.dpws.nsw.gov.au/government+procurement/Gateway+review+process/Gateway+review+process.htm>.

The Gateway Review Toolkit can be downloaded from

<http://www.dpws.nsw.gov.au/sps/doc/gateway/gatewaytoolkit.pdf> .

PREQUALIFIED EXPERT PANELS AND FUNDING TO ASSIST AGENCIES

The Department of Commerce will establish, by October 2006, panels of prequalified experts to assist agencies meet the objectives of this Circular. Separate panels will be available for the development of ICT Strategic plans and business cases, and the provision of Project Quality Assurance Reporting services.

Agency use of these panels is optional except for the provision of Project Quality Assurance Reports on ICT projects with an ETC of \$20 million or more. Agencies must use a prequalified expert from the relevant panel to prepare such a report.

Treasury is able to provide additional funding to small (with total annual expenses less than \$100 million) Budget dependant General Government agencies on a case-by-case basis to assist them in meeting some of their upfront costs in developing a business case. Funding assistance will be tightly targeted to qualifying agencies which lack the necessary expertise in project development and will be provided for the purpose of preparing ICT Strategic plans or business case documentation, with which the agency aims to support a proposal for Budget funding for a new ICT project. Interested agencies should contact their Treasury Analyst for details.

AGENCY REPORTING OBLIGATIONS

Agency reporting requirements are further detailed in **Appendices Two and Three**.

PLANNING PHASE

For proposed ICT investments which have an ETC of \$5 million or more, or are high risk, the detailed business case, together with a full economic or financial appraisal, project risk profile assessment report, the strategic planning and business case Gateway Review Reports with agency responses are to be provided to the agency's Treasury Analyst for assessment.

For investments which are low or medium risk and have an ETC between \$1 million and \$5 million, agencies need to provide their Treasury Analyst with the business case, a summary of the economic or financial appraisal, project risk profile assessment report, strategic planning Gateway Review Report and the agency's response.

For low or medium risk projects with an ETC greater than \$250,000 and less than \$1 million, agencies need only provide a business case and project risk profile assessment report to their Treasury Analyst.

Where an ICT investment proposal will be subject to Cabinet (including Budget Committee) consideration, a Financial Impact Statement is also required to be submitted to NSW Treasury with the business case (see Treasury Circular TC 06/02).

NSW Treasury will forward business cases to the GCIO for advice on their alignment with the *NSW Government ICT Strategic Plan* and relative priority from a whole-of-government perspective. GCIO advice will inform the Treasury assessment process.

For proposals from agencies subject to the Financial Management Framework, or proposals which are defined as Projects of State Significance under Treasury Policy and Guidelines Paper TPP 02-4, NSW Treasury will make recommendations, taking into account GCIO advice, to the Budget Committee of Cabinet for its consideration.

For other proposals NSW Treasury will provide comment to the agency. Where there is unresolved disagreement between the agency and Treasury, the issue will be escalated for resolution by the portfolio Minister and the Treasurer.

DELIVERY PHASE

Agencies must provide their Treasury Analyst a Quarterly Status Report throughout the delivery phase of any ICT project or program which is individually listed in the Infrastructure Statement Budget Paper No. 4 or, if not listed, is high risk or has an estimated total cost of at least \$5 million.

ICT projects which are high risk or have an ETC of at least \$5 million require submission to NSW Treasury of a:

- Procurement Strategy Report
- Pre-Tender Estimate Report
- Annual Project Quality Assurance Report

ICT projects which are high risk or have an ETC of at least \$10 million also require submission of a Post-Tender Review Report to Treasury.

Post Implementation Review Report

To improve procedures for future projects, agencies will be required to prepare Post Implementation Review Reports on completion of certain ICT projects with an initial ETC of at least \$10M, as requested by the Budget Committee of Cabinet.

Agencies are required to submit these reports to Budget Committee of Cabinet, when completed.

The scope of a Post Implementation Review Report can vary considerably and depends upon the specific project. For guidance, refer to the Post Implementation Review Guideline (TAM 04-11) available at http://www.treasury.nsw.gov.au/tam/pdf/post_implementation_review.pdf.

FURTHER INFORMATION:

Agency specific issues: The agency's Treasury Resource Allocation Directorate (RAD) Analyst.

ICT Policy Advice – Michael Toohey, Principal ICT Advisor on (02) 9228 4616
(email michael.toohey@mail.treasury.nsw.gov.au)

Procurement Policy Advice - Stephen Chong, Principal Advisor Procurement on (02) 9228 4417
(email stephen.chong@mail.treasury.nsw.gov.au)

TAM Policy Advice – Arthur Megaloconomos, Principal Advisor, Asset Management on (02) 9228 4402 (email arthur.megaloconomos@mail.treasury.nsw.gov.au)

NSW Government ICT Strategic Plan and ICT Strategic Planning Advice – Colin Griffith, General Manager Strategy, GCIO, on (02) 9372 8790
(email colin.griffith@commerce.nsw.gov.au)

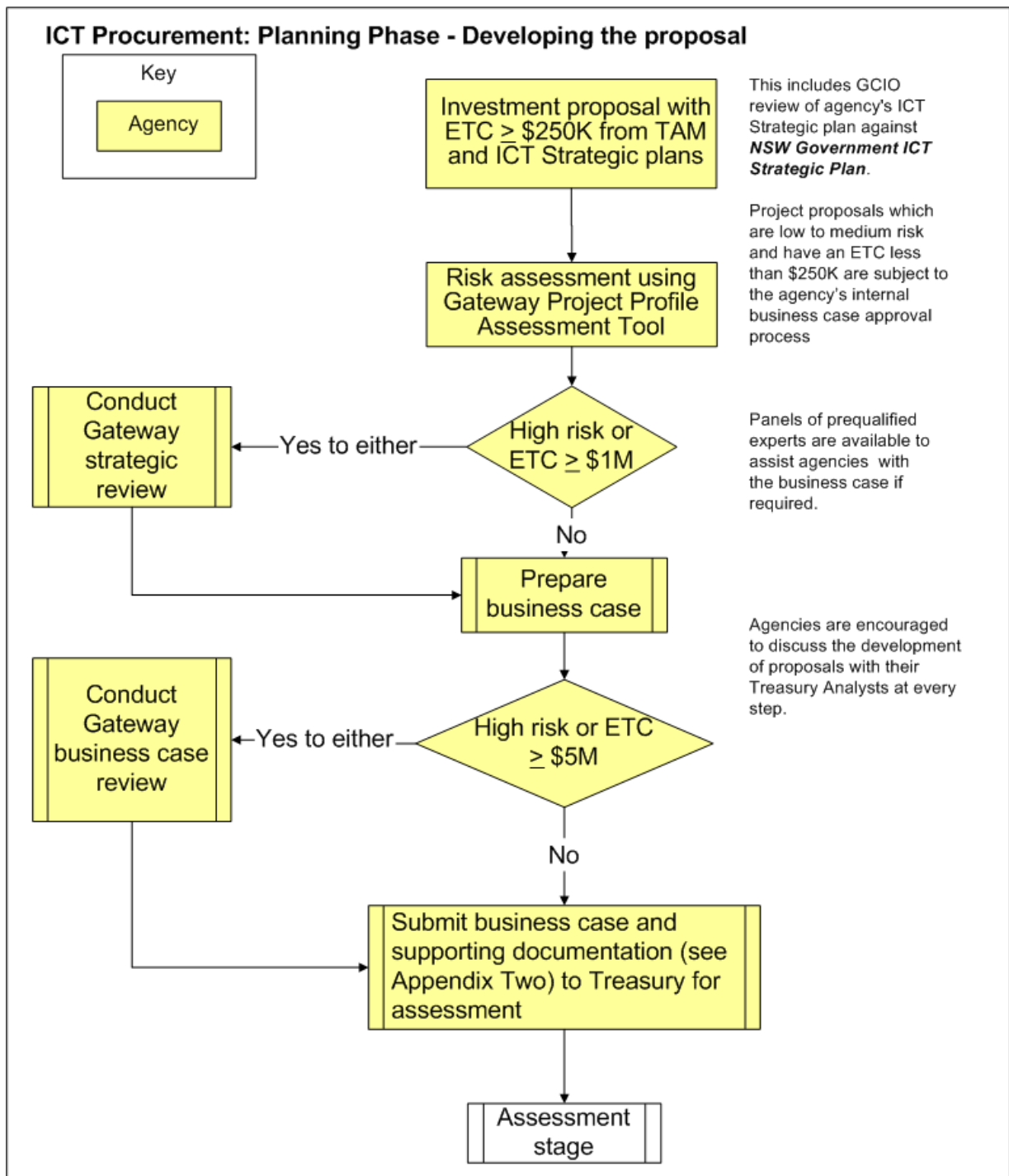
Catherine Hanly, Program Manager Governance, GCIO on (02) 9372 8161
(email catherine.hanly@commerce.nsw.gov.au)

APPENDIX 1: RESPONSIBILITY FLOWCHARTS

Each flowchart is colour coded to show responsibilities for each of the major ICT investment phases.

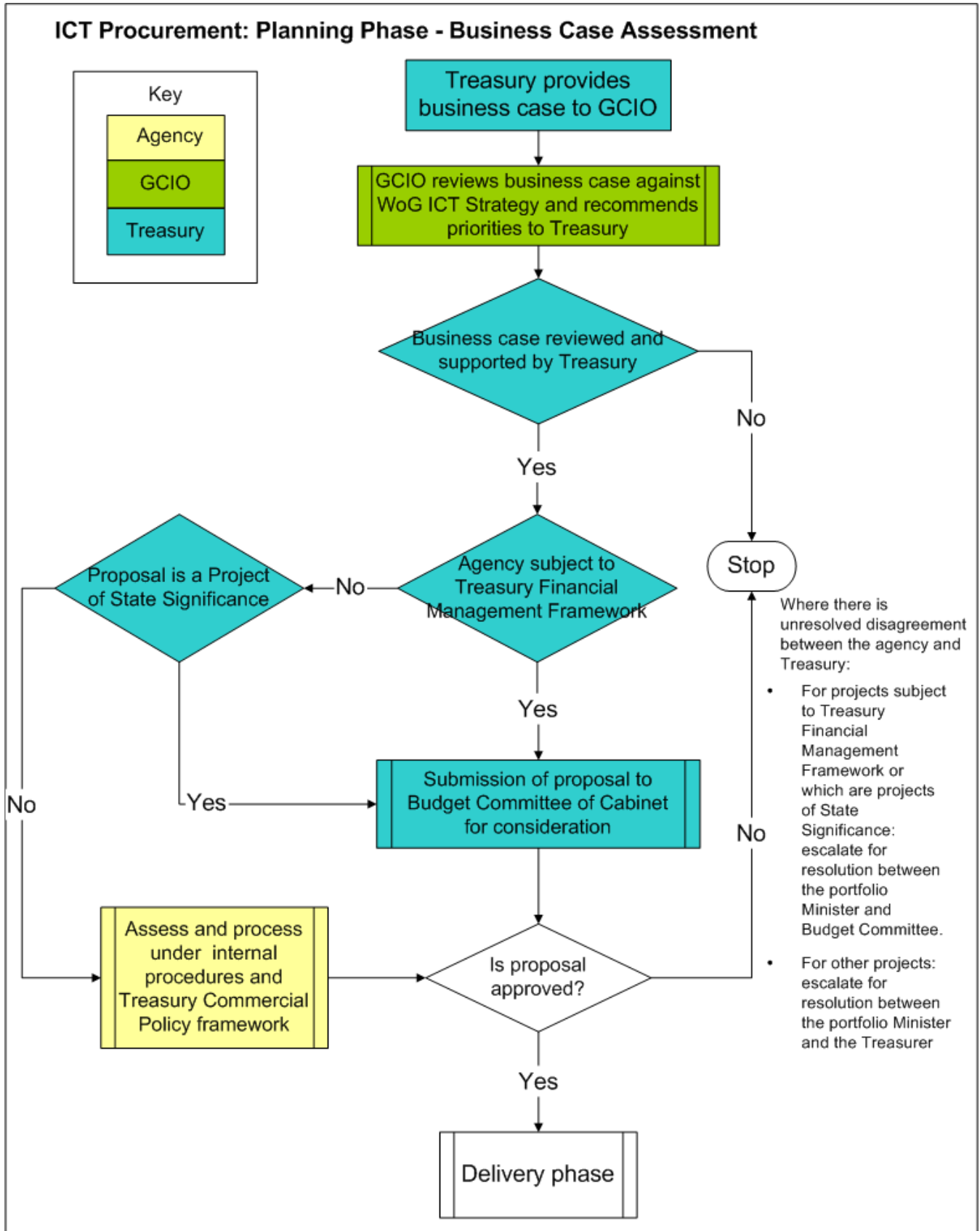
ICT INVESTMENT: PLANNING PHASE – DEVELOPING THE PROPOSAL

The proposal development stage includes all activity from initial planning, investment justification up to submitting the business case to Treasury for assessment.



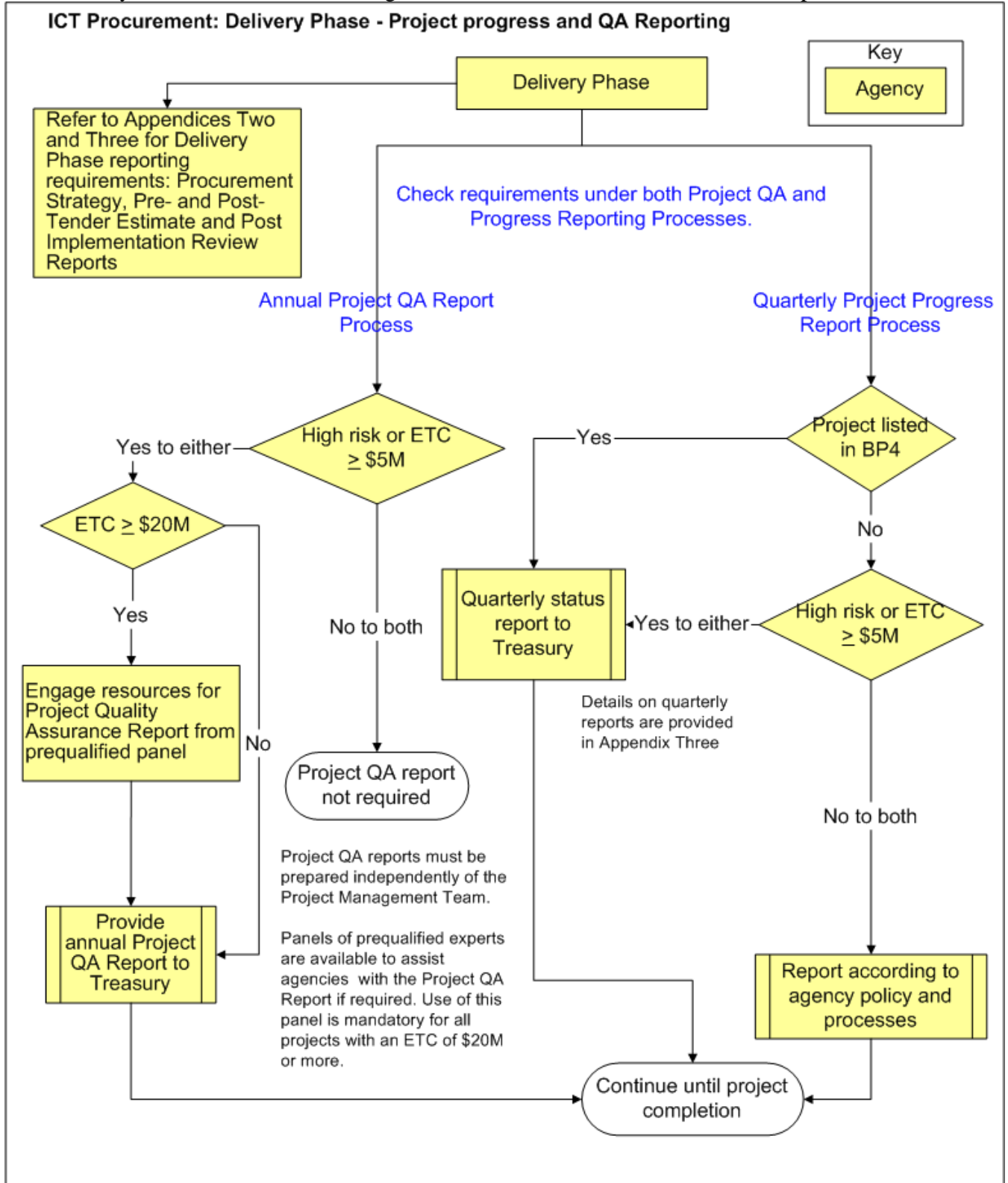
ICT INVESTMENT: PLANNING PHASE – BUSINESS CASE ASSESSMENT

The business case assessment stage commences with the proposing agency submitting the business case to Treasury up to consideration by Budget Committee if required.



ICT INVESTMENT: DELIVERY PHASE

The Delivery Phase follows the Planning Phase and is where the ICT solution is implemented.



APPENDIX 2: ICT INVESTMENT PLANNING AND DELIVERY PHASES: REPORTS ARRANGED/ PREPARED BY AGENCIES

Stage of process		Activity and Documentation	Documentation Requirement			
			High risk or ETC:	Not high risk and ETC:		
			≥ \$10M	≥ \$5M and <\$10M	≥ \$1M and <\$5M	≥\$0.25M and <\$1M
Planning	Proposal	Business Case ⁽¹⁾ and Risk Profile Assessment ⁽²⁾	✓	✓	✓	✓
		Financial Impact Statement ⁽³⁾	✓	✓	✓	✓
		Economic or Financial Appraisal ⁽⁴⁾⁽⁵⁾	✓	✓	✓	
		Strategic Planning Gateway Review and agency response	✓	✓	✓	
		Business Case Gateway Review and agency response	✓	✓		
Delivery	Throughout Delivery Phase	Quarterly Status Report ⁽⁶⁾	✓	✓	✓	✓
		Annual Project Quality Assurance Report ⁽⁷⁾	✓	✓		
	Prior to going to tender	Procurement Strategy Report ⁽⁸⁾	✓	✓	📄	📄
		Pre-Tender Estimate Report ⁽⁸⁾	✓	✓	📄	📄
	Prior to major contract(s) award	Post-Tender Review Report ⁽⁸⁾	✓	📄	📄	📄
	On project completion	Post Implementation Review Report ⁽⁹⁾	📄			

Key

Activity not required to be done. Agencies may however choose to do the activity.	
Documentation should be developed by the agency for its own purposes. No routine requirement to submit to TSY	📄
Submit documentation to Treasury	✓
Submit documentation to Budget Committee of Cabinet	📄

Notes

Agencies should retain all relevant documentation used and completed even if it is not required to be submitted. Treasury may need to call upon this information when reviewing projects.

- (1) Business cases should reflect the complexity and scale of the proposed investment. Business case templates are available from the GCIO web site at <http://www.gcio.nsw.gov.au/pages.asp?CAT=764&ID=771>
- (2) Project risk is assessed with the Gateway Project Profile Assessment Tool available at www.asset.gov.com.au/ppa
- (3) A Financial Impact Statement is required for all proposals subject to Cabinet (including Budget Committee) consideration. Draft Financial Impact Statements to be referred to Treasury for review and sign off prior to consideration by Cabinet. Agencies should consult with their Treasury Analyst to confirm whether a Financial Impact Statement is required. See Treasury Circular TC 06/02 available at http://www.treasury.nsw.gov.au/pubs/06_tcirc/nswtc06-02.pdf.
- (4) Agencies should contact their Treasury Analyst for assistance and information as required. Guidelines on economic and financial appraisals are available at http://www.treasury.nsw.gov.au/pubs/tpp97_2/ea-index.htm, http://www.treasury.nsw.gov.au/pubs/tpp99_1/prin_pro.htm and http://www.treasury.nsw.gov.au/pubs/tpp97_4/guidline.htm.
- (5) For low and medium risk projects between \$1M and \$5M, summaries of economic/financial appraisals are sufficient to submit to Treasury. Specific requirements should be discussed with the agency's Treasury Analyst.
- (6) Required for all projects individually listed in Budget paper No. 4 and other projects which are either high risk or have an ETC of at least \$5M, irrespective of the source of funds. All agencies must submit this report. Agencies already providing Treasury with quarterly project progress reports, e.g. through the Major Capital Projects Reporting System, or under the Commercial Policy Framework reporting arrangements already meet this requirement.
- (7) This is additional to the quarterly project progress reporting. This report is to confirm whether the project is on track to deliver the business case benefits.
- (8) See www.treasury.nsw.gov.au/procurement/procure-intro.htm for the procurement framework and ICT process map and Treasury TPP04-1 <http://www.treasury.nsw.gov.au/pubs/tpp2004/tpp04-1.pdf>. There may be several Pre-Tender Estimate and Post-Tender Review Reports where a project has several major contracts.
- (9) Required to be prepared on Budget Committee of Cabinet's request by agencies for identified projects that had an initial ETC, in nominal dollar terms, of at least \$10M. Report is submitted to Budget Committee of Cabinet. Refer to the Treasury Post Implementation Review Guideline (TAM 04-11) available at http://www.treasury.nsw.gov.au/tam/pdf/post_implementation_review.pdf.

APPENDIX 3: DELIVERY PHASE REPORTS REQUIRED BY NSW TREASURY

This section describes what is to be provided to Treasury in the Delivery Phase reports.

A summary of agency reporting requirements for all stages of ICT investment is provided in **Appendix Two**.

PROCUREMENT STRATEGY REPORT

The Procurement Strategy Report should include the proposed contracting methodology; a preliminary project delivery timetable; the development approvals process; and proposed accounting treatment of the transaction. The Report should provide any updated identification of project risks and risk mitigations strategies.

Where previous investment approval was contingent on the agency fulfilling certain conditions before the project could proceed, the Procurement Strategy Report should clearly explain how the conditions will be met.

The Report should be submitted as soon as the agency has determined its procurement strategy, to minimise any rework in tender documentation that may be necessary if Treasury disagrees with the strategy.

Contents of Procurement Strategy Report

- Contracting Methodology to be pursued based on an analysis of the risk, cost, benefits and value for money aspects of pursuing the various procurement methods. Analysis may take into account:
 - the success or otherwise of previously used contracting methods;
 - the technical expertise of the agency, particularly in the case of alliances;
 - whether to use an input or output specified contract;
 - whether procurement will be done with multiple or sequenced contracts rather than a single contract.
- Proposed Procurement Process
 - Steps in approaching the market and justification (e.g., one or two stage tender);
 - Governance Arrangements:
 - Roles and Responsibilities and reporting procedures for project team;
 - Probity Plan;
 - Tender Evaluation Process.
- Project Delivery timetable, highlighting key dates.
- Accounting treatment and implications for budget impact.
- Treasury/Treasurer approvals that may be required – e.g., under the *Public Authorities (Financial Arrangements) Act 1987* (PAFA).
- Any other relevant information.

PRE-TENDER ESTIMATE REPORT

The Pre-Tender Estimate Report updates the estimated project costs stated in the approved business case.

If there is a significant variation, the Pre Tender Estimate Report must provide acceptable detailed explanations and identified viable funding sources for any excess of cost over that previously approved.

The Pre-Tender Estimate Report should provide any updated identification of project risks and risk mitigation strategies provided in the Procurement Strategy Report.

If approval was contingent upon the agency fulfilling certain conditions that are relevant to the Pre-Tender estimate, then an update needs to be provided in this Report. There is no need to duplicate information already provided in the Procurement Strategy Report.

If the Pre-Tender estimate is consistent with previous investment decision, Treasury will write to the agency concurring with the decision to put to market a call for tenders.

If the Pre-Tender estimate is materially different from what was approved, or any preconditions of prior approval have not been met, Treasury determines whether the matter should go back to the approving authority (including Budget Committee of Cabinet if appropriate) for further review.

In respect of risky or high cost projects, it is an option for Treasury to recommend that approval of the call for tenders be subject to the agency reporting back to the approving authority on compliance with certain conditions before calling tenders.

Contents of Pre-Tender Estimate Report

- Letter from agency to NSW Treasury:
 - Providing a copy of the Pre-Tender Estimate Report -
 - this document would be a copy of the Pre-Tender Estimate Report (usually internal to the agency) that normally forms the basis for approval of the agency's Executive to proceed to contract; or
 - alternatively, this document could be prepared by the agency in the format of Pre-Tender Estimate Reports normally provided to the State Contracts Control Board.
 - Certifying that the Pre-Tender estimate does not vary from the estimate previously approved internally or by Budget Committee of Cabinet.
- Where the Pre-Tender estimate varies from the estimate in the previously approved investment decision, the agency must provide:
 - A report on the major sources of variation and amounts; and
 - An explanation of the reasons for the variation. For example:
 - If risk related:
 - Was this risk previously identified? What was its assessed likelihood of occurring? How was it to be mitigated?
 - Are there any new sources of risk arising from the change, and which were not previously identified?
 - What are the possible implications of the change in risks for contractual arrangements under the project?

- If scope or design related:
 - Why was the scope/design changed (e.g., change in service specifications/requirements? change in service delivery method? and so on), and who approved the change?
 - Provide a comprehensive explanation of the reasons for the change.
- Any other relevant information.

POST-TENDER REVIEW REPORT

This covers the steps after the call for tenders and ends with award of the contract.

After the agency receives and evaluates the tenders, but prior to actual awarding of the contract, the agency is required to submit a Post-Tender Review Report to the agency's Treasury Analyst.

The report may be in the form of a letter or a summary of the post tender review process. Irrespective of the form of the submission, it must contain the following:

- a certification from the agency that the price, scope of works and contract are as previously agreed and approved by the approving authority (Budget Committee if appropriate), and are consistent with the Pre-Tender estimate;
- a summary of key features of commercial arrangements;
- any updates on accounting treatment; and
- a project delivery timetable.

Due to commercial-in-confidence considerations, it is not necessary for the report or the letter to identify the preferred tenderer or the contract price – it is only necessary for the agency to certify that there was a clearly preferred tenderer out of a given field, and that price and other terms are consistent with what the agency previously submitted in its Pre-Tender estimate. Where the preferred bid results in a change from the Pre-Tender estimate, the agency must provide a detailed reconciliation and an explanation of variations.

NSW Treasury will review this Report for any inconsistency between Post- Tender and Pre-Tender estimates. Agencies must provide

- adequate explanations for any variations;
- sufficient information to prove that appropriate arrangements to implement and manage the project;
- an update on risk identification, risk management and/or allocation; for example where the project is a PFP, this is the stage where detailed risk allocation between the public and private sectors is negotiated.

This means that any information provided in the Post-Tender Review Report must be carefully assessed and compared against all previously submitted documentation.

The agency will be required to enter into consultations with NSW Treasury on the results of the Post-Tender Review Report **before contract award**. This is required even where the price, scope of works and contract are consistent with the Pre-Tender estimate.

QUARTERLY STATUS REPORTS

All agencies must provide quarterly status reports to Treasury for all ICT projects or programs which are separately listed in the Infrastructure Statement Budget Paper No. 4 or, if not listed, are either high risk or have an estimated total cost of at least \$5 million, irrespective of the source of funds.

Status reports should provide a concise summary of any material changes from the approved business case, in particular variances between:

- approved budget and current estimated total cost,
- cashflows
- major milestones

A summary explanation of the variances and any impact of these changes on the business case objectives should also be provided.

Reports should be provided to the agency's Treasury Analyst for the quarters ending March, June, September and December by the second Friday of April, July, October and January.

Projects or programs already reported on quarterly through the Major Capital Projects Reporting System or through the Quarterly Reporting of projects for Government businesses, as outlined in the Commercial Policy Framework, already comply with this requirement.

PROJECT QUALITY ASSURANCE REPORTING

In order to demonstrate to Government that major ICT projects will deliver their business case objectives, agencies are to provide Treasury with an annual Project Quality Assurance Report for each project that has commenced the delivery phase and is either high risk or has an estimated total cost (ETC) of at least \$5 million, irrespective of the source of funds, and a delivery period of at least 12 months.

Project Quality Assurance Reports are a form of project audit, or health check, and are required for projects either managed in-house or externally. These reports must be prepared independently of the project management team.

Project Quality Assurance Reports provide an update whether the business case objectives will be achieved. The Report must include an analysis of any variance to the original Business Case scope, estimated costs, delivery date, risks and reasons for any changes to the expected objectives and Benefits Management Plan. Analysis of variances is expected to be more detailed than that provided in the quarterly status reports.

Agencies may use external resources to assist in the preparation of these reports. Details of a panel of prequalified experts to assist agencies for this purpose are described in the section titled *Prequalified Expert Panels and Funding to Assist Agencies*. Alternatively agencies may elect to use internal resources, for example Internal Audit, to prepare such reports.

For projects which have an ETC of \$20 million or more and a delivery period of at least 12 months, use of an organisation on the panel of prequalified experts to prepare the Project Quality Assurance Report is mandatory.

Agencies need to submit Project Quality Assurance Reports to their NSW Treasury Analyst by 31 October each year.

Resources for project quality assurance reporting are available at <http://www.treasury.nsw.gov.au/procurement/information.htm>

Project Quality Assurance Reporting for Current Works in Progress

For current works in progress, Project Quality Assurance Reports are required to be submitted to Treasury for any project which is either high risk or has an estimated total cost of at least \$5 million, irrespective of the source of funds and has at least one year remaining before scheduled completion as at October 2006.

A Project Quality Assurance Report is not required for any work in progress that has less than one year remaining before scheduled completion, irrespective of the risk profile or estimated total cost.