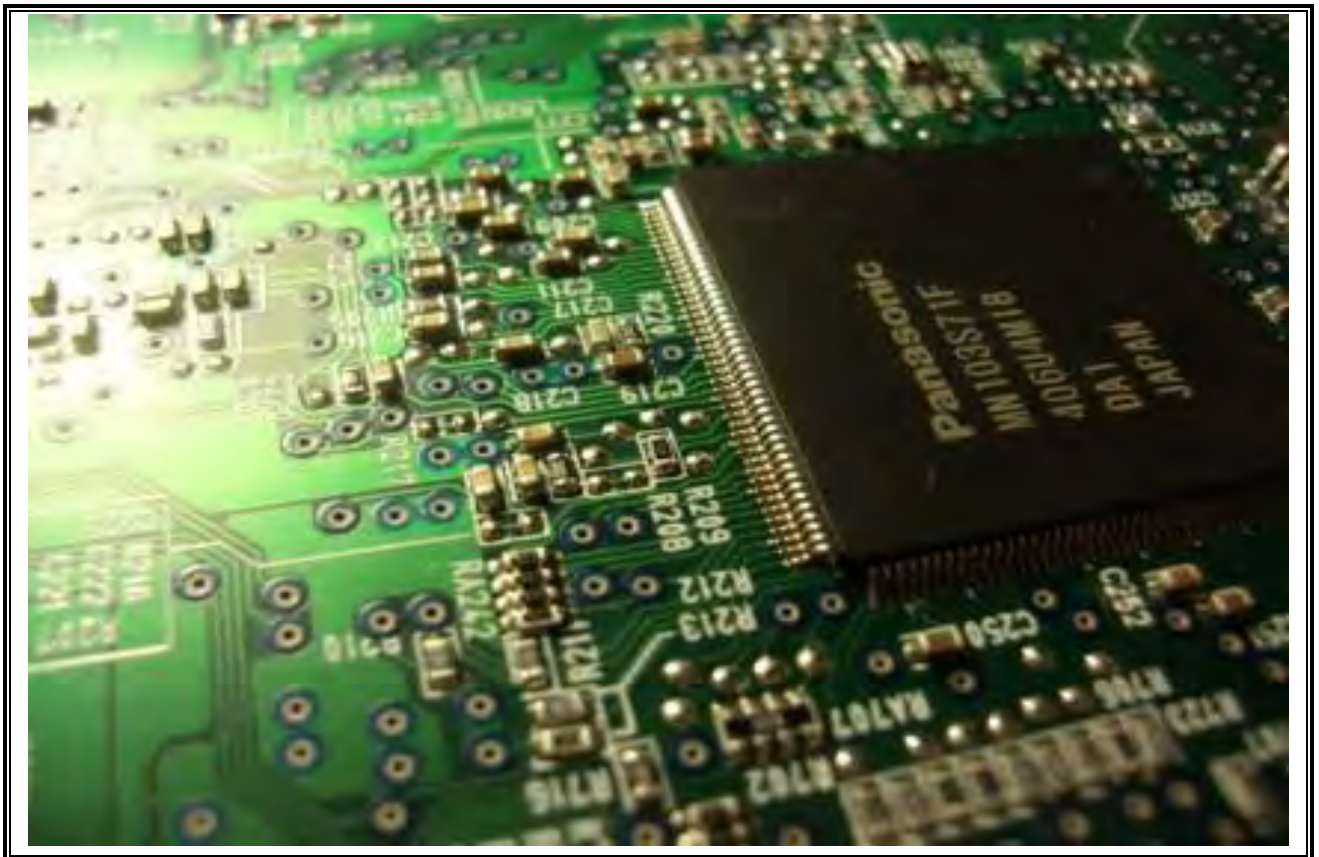




# Review of the Integrated Financial Management System (IFMS) Project



# **Review of the Integrated Financial Management System (IFMS) Project**

A report reviewing the Integrated Financial Management System (IFMS) Project.



Telephone: 301 2203 Fax: 325 8395 Website: [www.ago.gov.pg](http://www.ago.gov.pg) Email: [agopng@ago.gov.pg](mailto:agopng@ago.gov.pg)

---

## OFFICE OF THE AUDITOR-GENERAL

4 April 2014

**The Honourable Theodore Zurenuoc, MP**  
Speaker of the National Parliament  
Parliament House  
**WAIGANI**  
National Capital District

Dear Mr. Speaker,

In accordance with the provisions of Section 214 of the Constitution of the Independent State of Papua New Guinea, and the Audit Act 1989 (as amended), I have undertaken an audit review examining the Integrated Financial Management System (IFMS) Project.

I submit the report of this audit and the report is titled ***“Review of the Integrated Financial Management System (IFMS) Project.”***

Following its tabling in Parliament, the report will be placed on the Auditor-General’s Office Homepage – <http://www.ago.gov.pg>

Yours sincerely,

**PHILIP NAUGA**  
Auditor-General



# Table of Contents

---

ACRONYMS AND DEFINITIONS .....	7
<b>1. EXECUTIVE SUMMARY .....</b>	<b>8</b>
SUMMARY OF OBJECTIVE AND SCOPE .....	8
APPROACH TO THE AUDIT .....	8
KEY AUDIT FINDINGS AND RECOMMENDATIONS .....	9
OVERALL CONCLUSION .....	11
SUMMARY OF RECOMMENDATIONS .....	11
PERFORMANCE IMPROVEMENT OPPORTUNITIES .....	18
<b>2. INTRODUCTION .....</b>	<b>20</b>
BACKGROUND AND CONTEXT .....	20
ESTIMATED PROJECT COSTS (2000 – 2015) .....	22
APPROACH TO THE AUDIT .....	23
<b>3. PROJECT DEFINITION AND PLANNING .....</b>	<b>26</b>
FORMAL BUSINESS CASE .....	26
FORMAL PROJECT EXECUTION PLANNING .....	27
PROJECT MANAGEMENT FUNDAMENTALS .....	28
<b>4. GOVERNANCE AND ALIGNMENT .....</b>	<b>30</b>
PROJECT GOVERNANCE .....	30
IMPACT OF PUBLIC FINANCES (MANAGEMENT) ACT (PFMA) REVIEW AND AMENDMENTS PROJECT .....	31
ALIGNMENT BETWEEN PGAS AND IFMS PLANNING ACTIVITIES .....	32
STAKEHOLDER ENGAGEMENT AND MANAGING THE CHANGE .....	34
ICT DIVISION ENGAGEMENT .....	35
<b>5. ROLLOUT EXECUTION .....</b>	<b>37</b>
ROLLOUT PLANNING .....	37
REVISIT THE CURRENT PROJECT BUDGET ALLOCATIONS .....	39
CAPITALISATION OF PROJECT COSTS .....	40
VALIDATE THE CURRENT IFMS ARCHITECTURE .....	41
KEY PERSON RISK .....	42
THE CURRENT IFMS PROJECT RESOURCE MODEL .....	43
<b>6. PROCESS IMPROVEMENT OPPORTUNITIES .....</b>	<b>45</b>
<b>AGO PERFORMANCE AND SPECIAL REPORTS .....</b>	<b>46</b>



## Acronyms and definitions

ADB	Asian Development Bank
AGO	Auditor-General's Office
AusAID	The then Australian Agency for International Development. This agency has since been incorporated into the Australian Department of Foreign Affairs and Trade (DFAT)
CACC	Central Agencies Coordinating Committee
DoF	Department of Finance
Financial Instructions	Section 117 of the PF(M) Act 1995 provides for the issuance of Financial Instructions
FMIP	Financial Management Improvement Program
FMM	Finance Management Manual
ICT Division, Department of Finance	The Information, Communication and Technology Division in the Department of Finance is responsible for the management and operation of key financial systems within use in the PNG Government, excluding the IFMS project
IFMS	Integrated Financial Management System
IPSAS 31 guidance	International Public Sector Accounting Standard 31 – Intangible Assets. This standard prescribes the accounting treatment for intangible assets. See <a href="https://www.ifac.org/sites/default/files/publications/files/ipsas-31-intangible-assets-2.pdf">https://www.ifac.org/sites/default/files/publications/files/ipsas-31-intangible-assets-2.pdf</a>
PAC	Permanent Parliamentary Public Accounts Committee
PBS	Planning and Budgeting System
PF(M) Act	<i>Public Finances (Management) Act 1995</i> (as amended)
PFMA Review and Amendments project	Impact on Public Finances (Management) Act Review and Amendments project
PGAS	PNG Government Accounting System
Pilot departments	Three pilot departments are involved with the IFMS project. The three departments are the Department of Finance; the Department of Treasury (Treasury); and the Department of National Planning and Monitoring (Planning)
PNG	Papua New Guinea
RACI	RACI refers to a better practice model for assigning responsibilities. R = Responsible, A = Accountable (the highest level of responsibility), C = Consulted, and I = Informed
The Constitution	<i>The Constitution of the Independent State of Papua New Guinea, 1975</i>
TMS	Treasury Management System
UNDP	United Nations Development Program

# 1. Executive Summary

---

## Summary of objective and scope

**1.1** The Financial Management Improvement Programme (FMIP) was developed as a series of integrated reform activities across all levels of government in PNG. The overall goals of the reform programme were aimed at addressing a range of identified financial management problems.

**1.2** The strategic framework for the FMIP developed in 1999/2000 identified the various reform strategies necessary to achieve the goals of the FMIP. The framework proposed improved and enhanced information and communication systems as major IT reforms as part of the improvement program. These included upgraded planning-budget and government accounting systems, and new cash management, monitoring and reporting, and executive information systems. Core to the realisation of the IT strategies was the establishment of a reliable data communication network across PNG.

**1.3** The Integrated Financial Management System (IFMS) Project was initiated by the PNG Government to replace the incumbent financial and accounting system, PGAS, with a 'modern' system from the vendor TechnologyOne. This system, rebadged as IFMS, was planned to entirely replace PGAS in all departments and provinces.

**1.4** There is considerable interest in the IFMS Project (the "project") within and outside Government. The Parliamentary Public Accounts Committee (PAC) has particular interest in the project and is keen to understand the current status of the project. They are also interested when the project will be completed and the system fully rolled out across Government since the project has been underway for 10+ years and continues to consume significant annual funding.

**1.5** The objective of this audit review was to consider the key project risks relating to the IFMS project and give broad focus to the processes and controls that management has in place in the following areas:

- Project governance;
- Project management disciplines;
- Project finances and resourcing; and
- Rollout execution and planning.

## Approach to the audit

**1.6** The audit review was performed taking a forward looking stance, focusing on findings that would prove constructive to the project's future, rather than dwell on historical issues. This approach was in part necessary due to the limited availability of documentation relating to the early stages of the project.

**1.7** In performing the fieldwork, Project and departmental representatives were interviewed to gain an understanding of the current status of the IFMS Project, planned activities and the Project Controls in place.

**1.8** Documentation was inspected, including (but not limited to) the following types of project artefacts:



- Governance documentation;
- Highlight reports;
- Steering committee / board papers;
- Planning documentation;
- Deliverables and other output artefacts; and
- Project budget proposals and finance reports.

## Key audit findings and recommendations

**1.9** The FMIP and more specifically the IFMS Project have had a difficult and protracted 10+ year life, with significant change in leadership and team composition during this time. Many factors contributed to the project's protracted timelines, including (but not limited to):

- A significant departure from the project's original scope and strategic direction early in the life of the project;
- The original budgeting module not being fit for purpose, necessitating significant rework;
- Difficulties in soliciting system requirements, conducting user acceptance testing and providing training due to some challenges in obtaining commitment from business groups and users;
- Lengthy delays due to contract disputes with the software vendor; and
- The project team having taken on significant business user support activities on behalf of the departments, impacting their ability to focus on planning and executing the rollout.

**1.10** Despite these challenges, and significant negative perceptions (rightly or wrongly) from interested observers, the project has delivered a functioning IFMS solution that has been used to prepare the 2012 and 2013 Whole of Government budgets and is being used in three pilot Departments (Treasury, Finance and Planning).

**1.11** The project now has a monumental rollout task ahead of its scheduled completion in December 2015 – at which time there will be several departments, and the majority of provinces, that will still not be using IFMS.

**1.12** The December 2015 timing is ambitious for the planned scope (given the project's historical velocity). The project will need to move quickly to make fundamental changes to the way it has been operating, or look at which dimensions of the project 'quality triangle' can be shifted (e.g. will more resources (and therefore cost) allow the planned scope to be delivered by December 2015?).



**1.13** A more structured and repeatable process will be required regardless, with the project working with significant velocity, across multiple agencies through to December 2015.

**1.14** This report identifies a number of key observations and makes a range of recommendations to help move the project forward in the right way.

**1.15** The table below summarises the number of recommendations (and associated priority) identified during the course of this audit review.

Finding Category	Priority		
	Low	Medium	High
Project Definition and Planning	0	2	2
Governance and Alignment	1	3	5
Rollout Execution	2	9	4

**1.16** The 'Finding Category' represents a logical grouping of findings, with the detailed findings described under these categories in Chapters 3 to 5. In addition to these findings, three (3) additional performance improvement opportunities have been identified and are described in Chapter 6.

**1.17** The top five recommendations identified during the course of this audit review are summarised below. Each of these recommendations should be actioned by management with the highest priority.

- Recommendation 2 (paragraph 3.7)**
  - Develop a project execution plan that defines how the project is to be run
- Recommendation 3 (paragraph 3.13)**
  - Improve the rigor within project management disciplines
- Recommendation 11 (paragraph 4.19)**
  - Acknowledge the challenges of the past and engage with stakeholders in a more positive way
- Recommendation 14 (paragraph 5.4)**
  - Develop an implementation plan for each site and a more detailed overall rollout schedule
- Recommendation 26 (paragraph 5.33)**
  - Engage the services of an additional and experienced project manager

## Overall conclusion

**1.18** The IFMS Project has faced significant challenges since its original inception in 1999. Despite these challenges, a functioning IFMS was delivered to the Department of Finance, Department of Treasury and Department of National Planning and Monitoring in January 2011. Management believe the delivery of a functioning system to these three departments has demonstrated the feasibility of the system and has created a platform from which to rollout the IFMS to the remaining National Departments and Provinces.

**1.19** Considering the time, money and effort already invested in delivering a functioning system, it is recommended that management proceed with the rollout of the IFMS to the remaining National Departments and Provinces, giving careful consideration to the recommendations within this report and the appropriate application of financial and human resources.

## Summary of recommendations

**1.20** A number of findings warranting management attention were identified from the audit review procedures. Below lists the findings identified and summarises the recommendations made to address each finding – refer to Chapters 3 to 5 for further details of the findings and recommendations.

### Chapter 3: Project Definition and Planning

#### Formal business case

##### ***Recommendation 1 (paragraph 3.4) Medium Priority***

The AGO recommends that the Department of Finance define the business case for the remaining current and planned activities of the IFMS project and reaffirm the decision to move forward with the project.

***Department of Finance response: Agreed – being done in conjunction with the current rollout strategy.***

#### Formal project execution planning

##### ***Recommendation 2 (paragraph 3.7) High Priority***

The AGO recommends that the Department of Finance develop a project execution plan that defines how the project is to be run and the roles, responsibilities and obligations of each stakeholder group.

***Department of Finance response: Agreed – completed. Note the Project has a Strategy, and associated plan, a Project Board and weekly highlights reporting – all part of the Prince 2 methodology.***

## Project management fundamentals

### **Recommendation 3 (paragraph 3.13) High Priority**

The AGO recommends that the Department of Finance improve the rigor within project management disciplines and monitor and reinforce disciplines within the project team and stakeholders.

**Department of Finance response: Agreed – being done.**

### **Recommendation 4 (paragraph 3.14) Medium Priority**

The AGO recommends that the Department of Finance engage an independent assurance function to constructively check and challenge the project and provide assurance to the Project Sponsor in relation to key decisions.

**Department of Finance response: The project will benefit from an independent assurance but the role for independent assurance will be too limited if its target audience is the project. The scope will be better positioned if it also includes a role to independently provide comment on the functioning of stakeholders and users in their important roles for the success of the IFMS rollout. Change management is a highly complex issue generally speaking and independent assurance will need to be positioned across all the dimensions where change can be stalled.**

## Chapter 4: Governance and Alignment

### Project governance

#### **Recommendation 5 (paragraph 4.4) High Priority**

The AGO recommends that the Department of Finance define governance processes, roles and accountabilities needed to take the project to completion, ensuring those with governance responsibilities are educated on their responsibilities and that the composition of the steering committee includes representation from impacted agencies and stakeholder groups.

**Department of Finance: Agreed – but note the concepts being proposed are not endemic in the public sector workplace. It is highly likely implementation by management will be subject to similar areas of resistance the recommendation is aiming to overcome.**

#### **Recommendation 6 (paragraph 4.5) High Priority**

The AGO recommends that the Project Sponsor and senior officials within Central Government should hold the project team, governance position holders and stakeholder groups to account for performing their responsibilities and the such of the project.

**Department of Finance: Agreed – this should happen.**

## Impact of Public Financial Management Act (PFMA) Review and Amendments Project

### **Recommendation 7 (paragraph 4.9) Medium Priority**

The AGO recommends that the Department of Finance bring the PFMA and IFMS teams more closely together to ensure the better practice processes within IFMS are used to inform the Financial Management Manual.

**Department of Finance: The IFMS operationalises in a more secure way the existing legal framework, by introducing both preventative and detective controls – which do not exist in the legacy system. Agreed that the greater security of the IFMS may be capable of informing the PFMA review team.**

### **Recommendation 8 (paragraph 4.10) Low Priority**

The AGO recommends that the Department of Finance identify and manage the impacts of phased compliance with the Financial Management Manual, given the protracted nature of the rollout Departments and provinces.

**Department of Finance: Noted and agreed.**

## Alignment between PGAS and IFMS planning activities

### **Recommendation 9 (paragraph 4.14) High Priority**

The AGO recommends that the Department of Finance revisit the planned investment in PGAS with regard to the detailed IFMS rollout schedule.

**Department of Finance: Agreed.**

## Stakeholder engagement and managing the change

### **Recommendation 10 (paragraph 4.18) High Priority**

The AGO recommends that the Department of Finance overhaul the way that the project engages with stakeholders and develop a communications plan to focus the efforts of the project in engaging with stakeholders more meaningfully and with greater regularity.

**Department of Finance: Agreed.**

### **Recommendation 11 (paragraph 4.19) High Priority**

The AGO recommends that the Department of Finance acknowledge the challenges of the past and engage with stakeholders to:

- 1) demonstrate the positive outcomes IFMS has delivered;
- 2) the benefits to be gained from adopting IFMS;
- 3) make better use of Ministerial and Prime Ministerial messaging to drive a Whole of Government commitment to IFMS success; and
- 4) engage early and often with the Departments targeted by the rollout.

**Department of Finance: Agreed.**

### **Recommendation 12 (paragraph 4.20) Medium Priority**

The AGO recommends that the Department of Finance develop and perform a stakeholder satisfaction survey to obtain a current snapshot of stakeholder perceptions, allowing stakeholder perceptions to then be measured over time through repeating the survey.

**Department of Finance: Agreed – to be provided by the Internal Audit and Compliance Division.**

## **ICT Division Engagement**

### **Recommendation 13 (paragraph 4.25) High Priority**

The AGO recommends that the IFMS project and the ICT Division should settle their differences and work more closely to plan the IFMS rollout and the transition of the IFMS support function to ICT Division.

**Department of Finance: Agreed – commenced, with the intention to transfer resources to ICT Division in the 2014 to 2015 years.**

## **Chapter 5: Rollout Execution**

### **Rollout Planning**

### **Recommendation 14 (paragraph 5.4) High Priority**

The AGO recommends that the Department of Finance complete site survey, analyse the outputs and work with each agency to develop an implementation plan for each site and a more detailed overall rollout schedule for the rollout to all agencies.

**Department of Finance: Agreed – site assessments and associated documentation completed for PM and NEC, DPM and Justice and Attorney General.**

**Recommendation 15 (paragraph 5.5) Medium Priority**

The AGO recommends that the Department of Finance develop a repeatable Plan, Build, Deliver and Support implementation model to allow the project to roll through agencies efficiently and effectively.

**Department of Finance: Agreed – rollout template exists, based on existing work to date.**

**Recommendation 16 (paragraph 5.6) High Priority**

The AGO recommends that the Department of Finance capture lessons learned from the implementation of IFMS into the pilot departments and ensure these considerations are embedded into the implementation model and plans for each site.

**Department of Finance: Agreed – post implementation reviews to be done independently of the Project by Internal Audit and Compliance Division.**

**Recommendation 17 (paragraph 5.7) Medium Priority**

The AGO recommends that the execution against the rollout schedule should be closely managed by the Steering Committee and reported to key stakeholders, including escalation to senior, central government officials to resolve agency issues.

**Department of Finance: Agreed – escalation to be provided at the Deputy Secretary and Secretary level to the Project Board.**

**Recommendation 18 (paragraph 5.8) Medium Priority**

The AGO recommends that the Department of Finance consider applying a project structure for the continued rollout of IFMS to the provinces beyond the planned 2015 end of the IFMS project.

**Department of Finance: Agreed, but with actions taken to ensure project skills are incorporated into business as usual.**

**Revisit the current project budget allocations**

**Recommendation 19 (paragraph 5.15) Low Priority**

The AGO recommends that the Department of Finance quantify the cost of supporting the pilot departments and either:

- 1) provide greater visibility to the cost of supporting IFMS; and/or
- 2) explore inter-departmental funding arrangements to recoup the support costs.

**Department of Finance: Agreed.**

**Recommendation 20 (paragraph 5.16) High Priority**

The AGO recommends that the Department of Finance use the rollout planning process to better define the likely cost of the rollout to December 2015.

**Department of Finance: Agreed.**

**Recommendation 21 (paragraph 5.18) Medium Priority**

The AGO recommends that the Department of Finance consider the defined project costs (for the rollout up to the December 2015) in the context of the defined business case (as recommended at Recommendation 1), and reaffirm the decision to proceed with the project.

**Department of Finance: Agreed.**

**Recommendation 22 (paragraph 5.19) Medium Priority**

The AGO recommends that the Department of Finance establish and report the total cost of the IFMS Project to date.

**Department of Finance: Agreed.**

**Capitalisation of project costs**

**Recommendation 23 (paragraph 5.22) Medium Priority**

The AGO recommends that the Department of Finance report the estimate of the IFMS project costs to the Accounting Frameworks Division so that the value of this asset is recognised.

**Department of Finance: Agreed – costing completed.**

**Validate the current IFMS Architecture**

**Recommendation 24 (paragraph 5.27) High Priority**

The AGO recommends that the Department of Finance collate the results of the site surveys and understand from telecommunication providers whether site with current connectivity issues will be addressed within reasonable timeframes through planned network upgrades.

**Department of Finance: Agreed – ICT Division to provide.**



**Recommendation 25 (paragraph 5.28) Medium Priority**

The AGO recommends that where planned upgrades are not forthcoming, the Department of Finance consider options that include engaging with TechnologyOne to understand how a standalone IFMS site installation might be architected and operate.

**Department of Finance: Agreed. Note Web services version of the application has been installed.**

**Key person risk**

**Recommendation 26 (paragraph 5.33) High Priority**

The AGO recommends that the Department of Finance engage the services of an additional and experienced project manager. Take steps to systematically document / transfer the knowledge of the Deputy Program Manager to appropriate project team members.

**Department of Finance: Agreed – note an experienced PNG citizen Project Manager appointed.**

**The current IFMS Project resource model**

**Recommendation 27 (paragraph 5.37) Medium Priority**

The AGO recommends that the Department of Finance work closely with the departments and ICT Division to develop the capability and capacity to hand business-as-usual and support activities over to the departments.

**Department of Finance: Agreed.**

**Recommendation 28 (paragraph 5.39) Low Priority**

The AGO recommends that the Department of Finance evaluate the option of legitimising IFMS as a shared services group, rather than pushing the non-IFMS rollout responsibilities back to the departments.

**Department of Finance: Agreed.**

## Performance improvement opportunities

**1.21** The following performance improvement opportunities were also identified during the audit review procedures. These represent low priority observations that should also be considered by management to improve IFMS utilisation and safeguard project knowledge.

### ***Opportunity 1: Asset module utilisation (paragraph 6.2)***

An opportunity exists to initiate a project in the future to utilise IFMS to embed better practice asset management processes within the departments.

### ***Opportunity 2: IFMS training strategy (paragraph 6.4)***

An opportunity exists to leverage the lessons learned from PGAS to enhance the IFMS training strategy to include regular, formalised training.

### ***Opportunity 3: Securing project knowledge (paragraph 6.6)***

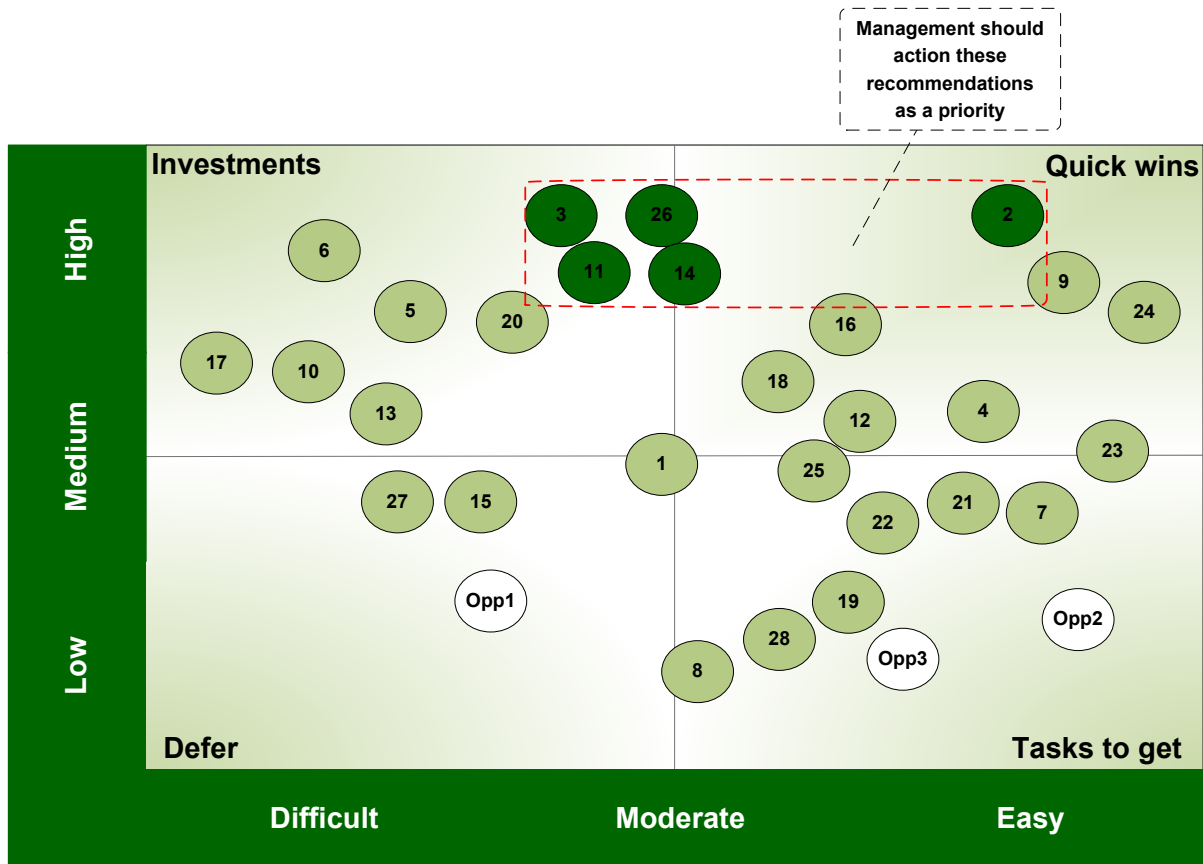
There is an opportunity to more effectively (logically) secure the project shared directory and move the non-technical project documentation to the same shared directory to help mitigate the risk of the project artefacts being lost from protect team workstations / laptops.

## Priority and ease of implementation

**1.22** The diagram on the following page shows each of the preceding recommendations plotted against priority and expected ease of implementation, guiding management's implementation efforts.

**1.23** The five recommendations highlighted in green should be actioned by management as a priority.

**1.24** 'Quick wins' are recommendations with a medium to high priority that are expected to be relatively easy to implement. 'Investments' are recommendations with a medium to high priority but will require significant effort to implement. 'Tasks to get done' are recommendations with a low to medium priority that are expected to be relatively easy to implement. Recommendations in the 'Defer' quadrant are recommendations that management should implement last.



**1.25** It should be noted that the positioning of these recommendations and opportunities within this matrix are indicative only. Management should take action to address these using its own logical grouping and prioritisation, taking into account program and departmental priorities and resource capacity and capability.

## 2. Introduction

---

### Background and context

#### Project inception: 1999 – 2005

**2.1** In 1999, the new PNG Government (with the Department of Treasury and Planning as the executing agency) initiated the Financial Management Improvement Program (FMIP) in cooperation with the Asian Development Bank (ADB), the Australian Agency for International Development (AusAID), the United Nations Development Program (UNDP), and the World Bank, with the objective to improve financial management systems and capability within the PNG Government.

**2.2** One of the major components of the FMIP was the implementation of better government budgeting and accounting systems – ultimately replacing or upgrading the PNG Government Accounting System (PGAS), the Treasury Management System (TMS) and the Planning and Budgeting System (PBS) – at both the national and provincial level by July 2002. Both the budgeting and accounting systems were originally intended to be implemented as separate off-the-shelf systems, with the integration of the systems to occur in the longer term as the capability of end users to fully utilise and manage an integrated system was built up over time.

**2.3** The period between 1999 and early 2002 saw little to no activity in the delivery of the FMIP due to significant delays in the ratification of the FMIP Strategic Framework that would underpin the delivery of the program. In April 2002 the FMIP Strategic Framework was ratified and consultants were engaged and deployed to begin preparing specifications and tender documentation for the new finance systems.

#### Major changes to scope and direction

**2.4** Mid 2003 saw a major change in direction for the FMIP as the Department of Finance (DoF), which had taken over as executing agency after it was established as a separate agency, decided to move away from the original plan of implementing two, separate off-the-shelf systems for budgeting and accounting. Instead, the DoF opted to move immediately to the implementation of an off-the-shelf, integrated financial management system (IFMS) that could address all of the Government's budgeting and accounting needs in one solution.

**2.5** This was a significant departure from the original plan, and created a number of risks to the success of the project. The immediate consequences of the move to an IFMS were delays and additional costs to the program, as bids for the original two software packages had to be rejected and new specifications needed to be prepared and tendered.

#### Vendor selection and contracting

**2.6** The initial tender for the IFMS was unsuccessful, as all bids received were considered non-compliant. A further four months was taken to rework the specification and tender documentation before releasing the tender to the market for the second time in mid-2005.

**2.7** The second tender process identified TechnologyOne as the successful bidder for the supply of the IFMS, and a contract between the Government of PNG and TechnologyOne was eventually finalised in November 2005. The contract had a reduced scope of coverage from the original FMIP plan which had intended to implement the financial systems in all national and provincial agencies. Instead, the contract required the supplier to implement the budget execution and accountancy functionality in five pilot agencies (by January 2007), and the

planning and budgeting functionality in all national agencies plus one province (by June 2007). The original contract value was USD \$4.42 million.

### **System design and build: 2006 – 2010**

**2.8** TechnologyOne deployed resources to the project in late February 2006, with requirements gathering commencing soon after.

#### **Business requirements challenges and issues with the budgeting solution**

**2.9** Requirements gathering took much longer than expected due to a lack of commitment from the business, often demonstrated by business users arriving late to requirements workshops or not attending at all.

**2.10** Early in the requirements gathering phase, it became apparent that the proposed budgeting solution (BusinessOne) would not meet the needs of a government environment, and would need to be replaced with Enterprise Budgeting, causing further delays which were exacerbated by the aforementioned lack of commitment from business users.

#### **Vendor contract renegotiations**

**2.11** By May 2007 the relationship between TechnologyOne and the PNG Government became strained, after minimal progress had been made against the contractual milestones and the three key departments (the Department of Finance, Department of Treasury and Department of National Planning and Monitoring) lost confidence in the project. Extensive negotiations ensued between both parties which culminated in TechnologyOne submitting a revised offer and proposal to the PNG Government in May 2008.

**2.12** The key elements of the proposal were:

- The PNG Government would pay TechnologyOne USD \$2.97 million under the original contract (the additional fees were non-inclusive of the amounts already paid thus raising the original contract price from USD \$4.24 million to USD \$4.704 million).
- A new Services Contract would be established valued at USD \$3.13 million. Under the new contract, TechnologyOne would be responsible for making the IFMS operational in the Departments of Finance, Treasury and Planning only (a significant departure from the scope of the original contract).

**2.13** The PNG Government accepted TechnologyOne's offer at the end of May 2008 and work recommenced in June. The same month, BusinessOne was replaced with Enterprise Budgeting as the agreed budgeting solution.

#### **Sign-off on requirements and system build**

**2.14** By December 2008, all detailed requirements documentation had been signed-off by the IFMS Project Board.

**2.15** During 2009, TechnologyOne negotiated a variation to the services contract for a further USD \$1.4 million to deliver the IFMS to the three Pilot Departments – taking the total TechnologyOne delivery cost to approximately USD \$9.23 million.

**2.16** By July 2010, all Financial modules had been completed and signed off by the IFMS Project Board with the Budgeting modules signed-off six months later, in December 2010.

**2.17** The contractual relationship with TechnologyOne for the delivery of the IFMS ended on 31 December 2010 just prior to go-live in the three pilot departments. As the Project was moving into a live operations and post go-live support phase, the Project's relationship with TechnologyOne was now underpinned by a support and maintenance contract (valued at PGK 1.2 million per year). Any additional enhancement work was to be performed on a time and material basis.

### **System go-live, support: 2011 – 2013**

**2.18** The IFMS commenced live operations in the Department of Finance, Department of Treasury and Department of National Planning and Monitoring in January 2011. Later that year, the 2012 whole-of-government budget was created in IFMS in parallel with the legacy budgeting system, PBS (with the 2013 budget created solely in IFMS).

**2.19** Since go-live, the IFMS Project Team have been engaged in three primary activities:

- Providing functional and technical support for IFMS to the three pilot departments;
- Performing business user activities in IFMS for the three pilot departments (e.g. budget and account preparation); and
- Planning the next phase of the IFMS rollout.

### **Planned rollout activities: 2013 – 2015**

**2.20** Based on current project documentation, the IFMS Project Team plans to rollout the IFMS to the remaining Central Agencies Coordinating Committee (CACC) Departments (i.e. Prime Minister and National Executive Council, Department of Foreign Affairs, Department of Personnel Management, Attorney General's Department and the Department of Provincial and Local Government Affairs) by the end of 2013.

**2.21** In 2014 the Project Team plans to rollout the IFMS to Milne Bay Province and ten more National Departments, with the rollout to the remaining 15 National Departments to occur by December 2015 (the project's expected completion date).

#### **Rollout to the Provinces**

**2.22** Rollout to the Provinces (excluding Milne Bay which is planned to be rolled out in 2014) is not planned to be performed under the current Project. The Communication Infrastructure required for the IFMS to function in the Provinces is either unproven or does not currently exist. Stakeholders should clearly understand that the planned rollout does not include rollout to the Provinces.

### **Estimated project costs (2000 – 2015)**

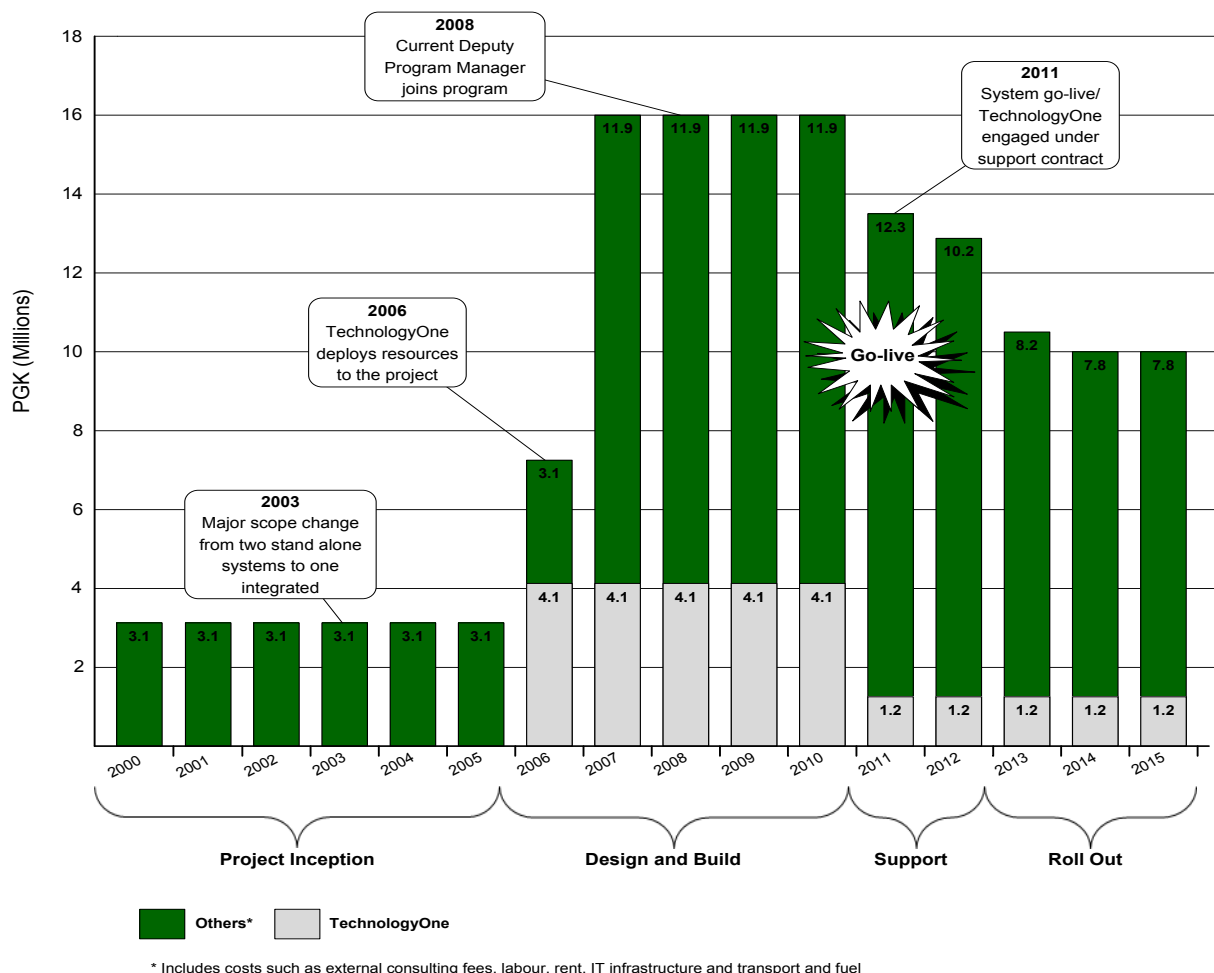
**2.23** A complete, detailed set of project cost data was not available for analysis (refer to Recommendation 22) at the time of the audit review. The costs shown in the following diagram are the estimated cost of the IFMS Project from 2000 to the project's expected completion date of December 2015. Based on the available information, the estimated total cost to December 2015 is not less than PGK 141.68 million (based on a 10 year midpoint exchange rate of 0.38126 USD / PGK<sup>1</sup>) but could be considerably more.

---

<sup>1</sup> Calculation based on 10 year plot (2003 – 2013) from [www.xe.com](http://www.xe.com) with a low value of 0.26767 and a high value of 0.49485. Figures accessed 18 June 2013.

**2.24** Please note the following key points regarding the sources and limitations of cost data:

- Costs from 2000 to 2006 (excluding TechnologyOne costs), represent consulting fees only. Costs were derived from a report by the Asian Development Bank (ADB Completion Report, Papua New Guinea: Financial Management Project, 2010) and have been 'straight lined' across each year in the period;
- Costs from 2007 to 2010 were extracted from PGAS and have been 'straight lined' across each year in the period;
- Costs from 2011 and 2012 were provided by the Deputy Program Manager and are based on project actuals;
- Costs from 2013 to 2015 were derived from project budget documentation;
- TechnologyOne costs for the period between 2006 to 2010 (design and build) were derived from contracts; and
- Costs from 2011 to 2015 (the annual cost of the TechnologyOne support and maintenance agreement) were provided by the Deputy Program Manager (PGK1.2 million per annum).



## Approach to the audit

**2.25** As the background detailed in this section illustrates, the history surrounding the IFMS Project is extensive and complex.

**2.26** This review was performed taking a forward looking stance, focusing on findings that would prove constructive to the project's future, rather than dwell on historical issues. This approach was in part necessary due to the limited availability of documentation relating to the early stages of the project.

**2.27** In performing the fieldwork, Project and departmental representatives were interviewed to gain an understanding of the current status of the IFMS Project, planned activities and the Project Controls in place. Initial draft findings were also discussed with the IFMS Project team to establish factual correctness prior to issuing a draft report.

**2.28** A considerable amount of project information was examined by the review team. Documentation was inspected, including (but not limited to) the following types of project artefacts:

- Governance documentation;
- Highlight reports;
- Steering committee / board papers;
- Planning documentation;
- Deliverables and other output artefacts; and
- Project budget proposals and finance reports.

**2.29** Unfortunately, at times key documentation was not available for audit examination, particularly key documentation relating to the original business case and proposed timelines.

### Parallel audit review of IFMS controls

**2.30** In 2013 the approved Internal Audit Work program for the DoF Internal Audit and Compliance Division included an internal IFMS controls review covering IT general controls and associated application and security controls. Given the potential for some similarity and overlap between the AGO's work and the DoF Internal Audit, it was decided there would be significant efficiencies from undertaking the respective audits as a consolidated body of work while producing two separate reports at the completion of the task.

**2.31** The intention with such an approach was to greatly reduce the impact upon stakeholders and resources, and be a more time and cost-effective approach for both organisations.

**2.32** In line with the International Auditing Standards, the AGO has looked to obtain assurance from the Internal Audit for our annual financial audit and not duplicate this body of work.

### Reporting

**2.33** Notwithstanding the consolidated approach mentioned above, in order for a review of this sort to be undertaken and completed in a timely way, access to sufficient and appropriate information is required. We also require the full support and availability of key people during the course of the audit and during the reporting phase of the project. In this instance, considerable delay was experienced in finalising the report for presentation to Parliament.

**2.34** In the case of this review of the IFMS project, the draft report was originally provided to DoF in August 2013 and seeking comments in September 2013. As a result of senior staff changes within the Department this timing could not be met. Additional copies of the draft report



were provided in November 2013; and again in February 2014. A formal response from the Acting Departmental Secretary was received by the AGO in March 2014.

**2.35** The report has been finalised having regard to the formal response from DoF; and in light of the additional information that has been provided to the AGO.

### **PAC inquiry**

**2.36** Prior to this review of the IFMS project being finalised and presented to Parliament, in late 2013 the PAC commenced an inquiry into the IFMS Project. To date, two hearings have been held; one at the end of 2013 (November) and another early 2014 (February). Both the AGO and DoF have been requested to appear at the hearings.

## 3. Project Definition and Planning

---

**3.1** The below findings are in regard to project definition and planning. Project definition is the activities and artefacts associated with creating boundaries around what the project will and will not deliver. It should serve as a defence against scope creep and should create a baseline by which the progress and success of the project can be measured. Project planning is the activities and artefacts associated with detailing how the project will be accomplished.

### Formal business case

#### Findings and impact

**3.2** The IFMS project has the mandate from Government to implement the IFMS solution across the Government Departments and Provinces, replacing the legacy PGAS, TMS and PBS systems. However, the project is currently not proceeding on the basis of a defined, formally approved and widely understood business case. Consequently, the project and its stakeholders do not currently have an agreed reference point to:

- Understand and take actions to realise the expected agency and whole-of-government benefits of the project;
- Measure the success of the project;
- Justify financial investment in future phases of the project;
- Guide the key project decision-making;
- Enable the steering committee (and senior Government officials) to hold the project and themselves to account for the delivery of the project; and
- Engage with stakeholders (including those in other government agencies) and compel them to contribute to the success of the IFMS rollout.

#### Risk

**3.3** Without a formal and agreed business case, the risk exists that the project will:

- Continue to experience negative perceptions from stakeholder groups;
- Will not meet the agreed December, 2015 deadline for the IFMS rollout - jeopardising the commitment to have the IFMS “Key Impact Project”, rolled out to National Departments by 2015; and
- Will not deliver some of the benefits originally contemplated when the project commenced.

#### **Recommendation 1 (Medium Priority)**

**3.4** Management should redefine the business case for the current and planned activities of the IFMS project and reaffirm the decision to move forward with the project. The act of redefining and reaffirming the business case should:

- Be used as a “line in the sand”, from which the project should move forward with renewed energy and a new operating model that focuses on effectively rolling-out the IFMS solution;

- Be used to redefine and reallocate the responsibilities between the project and business stakeholders, allowing the project to focus on planning and executing the rollout; and
- Provide the opportunity to better engage with the stakeholder group to sell the future of the IFMS and obtain their formal commitment to support the project and realise the benefits (which should be a business, rather than a project responsibility).

**Department of Finance response: Agreed – being done in conjunction with the current rollout strategy.**

## Formal project execution planning

### Findings and impact

**3.5** The IFMS project maintains a high-level list of planned activities until May 2013. However, there is little documentation that clearly defines the remainder of the project and how it will be executed. For example: documentation is not readily available that clearly defines:

- The agreed project scope;
- The deliverables or outputs that the project will deliver and when;
- The approach to executing the project;
- The assumptions underpinning the planned timelines and cost, including key dependencies, risks and known issues to manage;
- The project governance and management forums and processes that will be applied; and
- Importantly, the planned activities to deliver the agreed December 2015 deadline for the IFMS rollout, even at a high level.

### Risk

**3.6** Without effective and formal project planning, the risk exists that the project will:

- Fail to identify and effectively manage the key activities required to complete the project;
- Be derailed by dependencies that were not identified, understood and effectively managed; and
- At a minimum, experience further delays, impacting costs and the perceptions of stakeholder groups and jeopardising the commitment to have the IFMS “Key Impact Project”, rolled out to National Departments by 2015.

## **Recommendation 2 (High Priority)**

**3.7** Management should develop a project execution plan (or Project Plan, under an appropriate project management methodology such as the Prince2 methodology) and update it as part of each new phase of the rollout to ensure the document is always relevant and has the continued backing and full support of senior stakeholders on the project.

**3.8** The project plan should be a higher-level document (compared to a detailed project schedule) that defines how the project is to be run. It provides rules and boundaries alongside a frame of reference for what the project will and will not deliver and agreed context in the form of assumptions regarding the environment in which the project will deliver.

**3.9** The project plan will clearly define how the project and business are to deliver the project by describing the roles, responsibilities and obligations of each stakeholder group. This should aid in achieving essential business buy-in, support future project decision-making and help remove potential roadblocks to delivery.

**Department of Finance response: Agreed – completed. Note the Project has a Strategy, and associated plan, a Project Board and weekly highlights reporting – all part of the Prince 2 methodology.**

## **Project management fundamentals**

### **Findings and impact**

**3.10** The project management practices applied throughout the life of the project have demonstrated varying levels of formality, rigor and consistency. The project team has been unable to provide some of the fundamental project management documentation that demonstrates project has been sufficiently scoped and planned, and is being governed and managed effectively, including:

- An agreed business case, including a specific and agreed project scope (discussed above in paragraph 3.2);
- A current project execution plan (discussed above in paragraph 3.5);
- An up to date project schedule;
- Financial and resource models;
- Risk and issue management processes and artefacts that are regularly updated and communicated;
- Stakeholder engagement and communications plans; and
- A benefits management plan.

**3.11** We acknowledge that the project is currently transitioning between project managers (under the longstanding Program Managers) and that many of the project management disciplines will be tightened as a result of this process.

## Risk

**3.12** The risk exists that without formal, rigorous and consistent project management disciplines the project will not deliver against the time, cost, quality and scope dimensions and fail to achieve its intended business benefits. In addition, informal processes make it more difficult to hold the responsible project team members and key stakeholders to account for negative outcomes.

### **Recommendations 3 (High Priority)**

**3.13** The project management team should work together to improve the management disciplines being applied, in doing so:

- Producing the key documents that define the way forward for the project and provide the basis for effectively managing and controlling the project;
- Aligning the thinking and behaviours of stakeholders, obtaining formal agreement and approval of the way forward. All documentation should be signed-off by the appropriate stakeholders as an acknowledgement and commitment to deliver their responsibilities to the project; and
- Monitoring and reinforcing disciplined project management mindsets and behaviours within the project team and stakeholders.

**Department of Finance response: Agreed – being done.**

### **Recommendation 4 (Medium Priority)**

**3.14** The Project Sponsor should engage an independent assurance function to check and challenge the project. Such a function should participate in Project Steering committee meetings to provide real time input to key decisions, and perform deeper dive reviews over specific topics at key decision gates throughout the remainder of the project.

**3.15** The project documents themselves will not guarantee effective project disciplines, and therefore the right project outcomes. However, the documents will allow the project to be managed with more discipline in the dimensions of time, cost quality and scope, and importantly, allow the project team members and other stakeholders to be held to account.

**3.16** In addition, the development and maintenance of, and adherence to, a robust project schedule should help refocus the team on rollout milestones, and minimised the distraction of needing to provide continued support to the business.

**Department of Finance response: The project will benefit from an independent assurance but the role for independent assurance will be too limited if its target audience is the project. The scope will be better positioned if it also includes a role to independently provide comment on the functioning of stakeholders and users in their important roles for the success of the IFMS rollout. Change management is a highly complex issue generally speaking and independent assurance will need to be positioned across all the dimensions where change can be stalled.**

## 4. Governance and Alignment

---

**4.1** The below findings are in regard to project governance and alignment. Effective project governance ensures that an organisation's project is aligned with the organisation's objectives, is delivered efficiently and is sustainable. Project governance also supports the means by which key stakeholders are provided with timely, relevant and reliable information and are able to steer the direction project and make key project decisions.

### Project governance

#### Findings and impact

**4.2** Some of the IFMS project governance disciplines have proven to be ineffective, as evidenced by:

- Limited understanding of the role that the governance function should be playing in steering the project, constructively challenging the project team, taking responsibility, making people accountable and having a role in promoting the project to the broader stakeholder group – many of these responsibilities have not been effectively executed to date;
- Limited alignment and communication between the IFMS project and other key in-flight projects (i.e. The PFMA Review and Amendments Project and PGAS Upgrade Project);
- Limited communication between the project and key stakeholder groups such as ICT and the departments due to receive IFMS in the next phase of the rollout;
- Relatively poor buy-in for IFMS from some middle managers in the pilot departments;
- The protracted nature of the project and little real definition of the project scope and how the project will be executed and what it will deliver;
- Some fundamental project management controls (such as risk and issue management processes) not being in place; and
- The project team having to take on additional responsibilities outside the original scope of the project (i.e. business as usual activities such as preparation of accounts).

#### Risk

**4.3** Without effective project governance there is a risk that the IFMS Project will continue to experience some major delivery challenges and the planned rollout will fail.

#### **Recommendation 5 (High Priority)**

**4.4** Management should:

- Define the governance processes that are needed to take the project to completion;
- Define the key governance roles and accountabilities required in executing those processes. These should clearly define the responsibilities of the project, the steering committee and other stakeholder groups – ideally through the use of a clear RACI<sup>2</sup> chart that defines the differing levels of accountability for the same activity;

---

<sup>2</sup> RACI refers to a better practice model for assigning responsibilities. R = Responsible, A = Accountable (the highest level of responsibility), C = Consulted, and I = Informed.

- Ensure those with governance responsibilities are trained and certified in being able to perform their governance responsibilities;
- Seek and obtain senior ministerial and central Government endorsement for the defined governance processes and responsibilities so that all key parties with governance responsibilities can be accountable for the IFMS rollout;
- Reconsider the composition of the Steering Committee to include representatives from impacted agencies and other stakeholder groups – it will be important to keep the size of the group that has decision-making powers manageable;
- Devolve certain governance responsibilities down to governance forums (such as the IFMS application user group and IFMS rollout oversight panel) who have the required knowledge and authority to make appropriate decisions and enforce good project behaviour; and
- Actively engage with Internal Audit and Compliance Division to have an observation and check and challenge role within appropriate governance forums and to perform deep dive reviews during the rollout.

***Department of Finance response: Agreed – but note the concepts being proposed are not endemic in the public sector workplace. It is highly likely implementation by management will be subject to similar areas of resistance the recommendation is aiming to overcome.***

#### **Recommendation 6 (High Priority)**

**4.5** The Project Sponsor and senior officials within Central Government should hold the project team, governance position holders and stakeholder groups to account for:

- Carrying out the responsibilities defined under the agreed project RACI; and
- The successful rollout of the IFMS solution across Government, in line with the commitment to have the IFMS “Key Impact Project”, rolled out to National Departments by 2015 – something that will be hard to achieve without strong Central Government support and the ability to compel other agencies to be aligned for the greater good of Government.

***Department of Finance: Agreed – this should happen***

## **Impact of Public Finances (Management) Act (PFMA) Review and Amendments Project**

### **Findings and impact**

**4.6** The current project planning does not clearly demonstrate the dependencies on the PFMA project and its potential impact on the IFMS rollout. Some members of the IFMS project team and other stakeholders believe that changes to the PFMA and the related Financial Management Manual may impact the design of the workflows within IFMS, causing some rework and reconfiguration of the IFMS system and some retraining of staff.

**4.7** There is regular communication between the IFMS and the PFMA review projects through the Management Team Meeting forum. However, these meetings are used to discuss project status and do not go down to the tactical process level within either project.

### **Risk**

**4.8** Without close, process-level alignment between the IFMS and PFMA projects, there is some risk of:

- Delays to the IFMS rollout as a result of PFMA requiring the IFMS to be changed or reconfigured to achieve compliance. Ultimately impacting the IFMS project's ability to meet the agreed December, 2015 delivery deadline;
- Missed opportunities for both projects, particularly the opportunity to utilise the existing functionality within IFMS to drive better practices in financial management; and
- Further negative sentiment among stakeholders being generated, impacting the rollout milestones and the acceptance of IFMS solution across Government agencies.

#### **Recommendation 7 (Medium Priority)**

**4.9** Management should bring the PFMA and IFMS teams together to:

- As an immediate task, align the planning of both projects and obtain confirmation that areas that PFMA project have considered already will not result in any reconfigurations or development to the IFMS; and
- At the commencement of the review of the Financial Management Manual (currently planned for the beginning 2014), Management should devolve the discussions between the IFMS project and the Manual review team down to a specific level that enables an ongoing and open exchange of ideas. The discussions should be focussed at the process level and consider how the better practice processes within IFMS should be used to inform any changes to the Financial Management Manual.

**Department of Finance: The IFMS operationalises in a more secure way the existing legal framework, by introducing both preventative and detective controls – which do not exist in the legacy system. Agreed that the greater security of the IFMS may be capable of informing the PFMA review team.**

#### **Recommendation 8 (Low Priority)**

**4.10** The PFMA review project is due to be completed by December 2015. By this time, IFMS will only be rolled out to National Departments and a small number of provincial agencies. Most provinces will still be using the PGAS legacy system, making it difficult to comply with any changes to the Financial Management Manual that are aligned to better practice processes that IFMS supports. Consequently, Management will need to identify and manage the impacts of phased compliance with the Financial Management Manual.

**Department of Finance: Noted and agreed.**

## **Alignment between PGAS and IFMS planning activities**

### **Findings and impact**

**4.11** It is the Government's intention that IFMS will eventually replace PGAS at all government departments across PNG. However, PGAS is currently undergoing regular upgrades under the supervision of the ICT Division with no clear plan for decommission.

**4.12** Inherently, it seems counter intuitive to continue to invest in a system that is being replaced. However, it is possible that some continued investment in upgrading and maintaining PGAS is still justified given the protracted timelines for the IFMS project and the planned rollout across Government.



## Risk

**4.13** Continuing to invest in PGAS, while rolling out IFMS creates the risk that:

- Expenditure will be wasted for sites where IFMS is promptly implemented; and
- Negative views of IFMS are generated if PGAS continues to be invested in and no information is forthcoming that communicates when PGAS will be replaced by IFMS.

### ***Recommendation 9 (High Priority)***

**4.14** Management should:

- Revisit the planned investment in PGAS with regard to the detailed IFMS rollout schedule and determine whether all elements of the planned PGAS investment should continue and when (e.g. upgrades to CACC departments);
- Develop a clear and communicated plan for the decommissioning of PGAS that aligns to the rollout of IFMS and demonstrates why any interim investments in PGAS are justified. It is important that stakeholders don't perceive mixed messages and can see that decisions regarding PGAS and IFMS are made in a completely coordinated way;
- Ensure PGAS decommissioning activities are part of any site implementation plan for IFMS; and
- Ensure further key decisions regarding PGAS (including the upgrade activities) are discussed at the IFMS Steering Committee so they are appropriately debated and an informed decision can be made.

***Department of Finance: Agreed.***

## Stakeholder engagement and managing the change

### Findings and impact

**4.15** The stakeholder engagement practices employed to date have been ineffective in communicating a shared vision for IFMS, the benefits of the project, and in maintaining broad stakeholder support for the IFMS project and the solution itself.

**4.16** Many stakeholders interviewed felt disengaged from the project and have little understanding of how the project will impact them and when. This lack of knowledge, and the protracted project timelines, has caused many stakeholders to be quite cynical, with some doubting whether the project will ever replace the PGAS solution and realise any business benefits.

### Risk

**4.17** Without effective stakeholder engagement and change management, the risk exists that:

- There will be resistance to IFMS and its new process and users will revert to PGAS or work around the system;
- The impact of the IFMS rollout on stakeholder groups will not be fully understood as to appropriately inform project planning activities;
- Any negative stakeholder perceptions are not identified and addressed, before they can be more broadly spread;
- The project team needing to take on more of the business-as-usual responsibilities; and
- The rollout will be delayed and cost blow-outs may occur.

### **Recommendation 10 (High Priority)**

**4.18** Management should overhaul the way that the project engages with stakeholders and develop a communications plan to focus the efforts of the project in engaging with a range of different stakeholders more meaningfully and with greater regularity. This does not necessarily mean that engagements will always be two-way engagement – given the journey the project has come on, much of the engagement may be one-way information sharing.

**Department of Finance: Agreed.**

### **Recommendation 11 (High Priority)**

**4.19** Management should acknowledge the challenges of the past and engage with stakeholders in a new way that:

- Draws into focus the positive outcomes that IFMS has delivered (e.g. the streamlined budgeting process);
- Demonstrates the project has new energy and that things are now being done differently;
- Demonstrates the benefits that can be realised from IFMS and compels stakeholders to want to support IFMS and the rollout;
- Makes better use of Ministerial and perhaps Prime Ministerial messages that demonstrates the whole of Government commitment to IFMS success; and
- Actively engages with the target Departments in the next phase of the rollout – engaging them early and often and effectively managing the organisational change.

**Department of Finance: Agreed.**

**Recommendation 12 (Medium Priority)**

**4.20** Management should develop a stakeholder satisfaction survey and a target audience of groups and individuals. A survey should be run in the next month or two to obtain a current state snapshot of stakeholder perceptions, providing valuable feedback to inform the stakeholder engagement and change activities. The survey should be repeated (no more than twice yearly) to measure the effectiveness of engagement strategies and take further corrective actions.

**Department of Finance: Agreed – to be provided by the Internal Audit and Compliance Division.**

## ICT Division engagement

### Findings and impact

**4.21** There is a lack of effective cooperation between the IFMS project and the ICT Division and a clear separation of responsibilities has been artificially created as a result.

**4.22** From the IFMS project perspective, the perception exists that:

- A capability gap exists in the ICT Division, resulting in the IFMS project developing its own ICT capability to support the application and database layers of IFMS. There is resistance from the IFMS Project to hand over these business-as-usual IT support activities to the ICT Division; and
- The ICT Division are supporters of the PGAS solution over IFMS and would prefer to see PGAS retained or another solution implemented.

**4.23** From the ICT Division perspective, there is a feeling that they have been shut out of key project decisions and they are unable to effectively influence a system that they acknowledge they will one day need to support.

### Risk

**4.24** Without appropriate cooperation between the IFMS project and the ICT Division there is the risk that:

- IFMS business-as-usual support activities will continued to be performed by the IFMS project team, creating a distraction from the rollout effort across government;
- The 'us and them' mentality that currently exists between the IFMS Project and ICT Division will continue to be propagated;
- Opportunities to leverage the experience within ICT Division will continue to be missed, potentially having an impact on the planning and execution of the upcoming rollout; and
- ICT Division will continue to enhance and support PGAS without consideration or knowledge of the IFMS rollout, resulting in challenges for the acceptance of IFMS and potentially unnecessary expenditure being incurred.

**Recommendation 13 (Medium Priority)**

**4.25** The IFMS project and the ICT Division should work closely to:

- Undertake the site surveys and plan the IFMS rollout at a detailed level, making use of the ICT Division's broad technical knowledge and any retained understanding of the sites being surveyed;
- Develop an IFMS support function within the ICT Division and start to transition technical support over to the ICT Division, starting from the infrastructure level and working up the technology stack; and
- Drive more informed decision-making at the IFMS project steering committee meetings – requiring representatives from the ICT Division to attend and to actively contribute.

***Department of Finance: Agreed – commenced, with the intention to transfer resources to ICT Division in the 2014 to 2015 years.***

## 5. Rollout Execution

---

**5.1** The below findings are in regard to execution of the IFMS rollout to the remaining Departments and Provinces to the agreed project completion date of December 2015 and beyond.

### Rollout planning

#### Findings and impact

**5.2** The IFMS project has produced a briefing paper that outlines the intended IFMS rollout plan out to the end of 2015. This paper is supported by a more detailed (but still quite high-level) list of planned activities out to May 2013. However, no further detail is available to support the next phase of the IFMS rollout, beyond May 2013 and out to December 2015. Some examples of the specifics that have not been defined include:

- The activities to translate the agency site surveys for the CACC Departments into a plan for rolling out IFMS to those sites;
- Activities to engage with the CACC Departments to prepare them for the IFMS rollout from a people, process and technology perspective;
- Site implementation planning that includes: data cleansing and conversion, IFMS environment creation (including hardware setup), Department setup and configuration within IFMS, testing, training and cut-over planning;
- The process to deal with Departmental change requests and site variations;
- The establishment of support arrangements for the new agencies;
- The approach to assessing go-live readiness and cutting over each site;
- The approach for the project to transition from one Department to another and effectively managing multiple Departments at various stages in a rollout cycle; and
- How IFMS will be rolled out (at least at a high-level) to the Provinces.

#### Risk

**5.3** Without sufficient rollout planning the risk exists that the rollout will not deliver against the time, cost, quality and scope dimensions and fail to achieve its intended business benefits. In addition, the failure to deliver at one site may have the effect of derailing subsequent or concurrent rollouts until problems are resolved and remaining Departments can be convinced of this.

#### **Recommendation 14 (High Priority)**

**5.4** Management should:

- Commit resources to completing the site surveys as a matter of urgency, giving priority to the CACC and other National Department sites that will be impacted in the short term – we acknowledge that the site surveys for each CACC site have commenced and will provide critical input to being able to produce more detailed rollout planning;
- Analyse the outputs from each site survey and work with each agency to develop an implementation plan of activities to be performed by the agency and the IFMS project team to prepare for, and execute, the IFMS implementation at each site;

- Develop a more detailed rollout schedule that sequences the activities to be performed under the implementation plan for each agency and takes into account the IFMS funding, resource capability and capacity and the readiness of each agency site – this point represents the opportunity for Management to sensibly re-evaluate the funding requirements of the project and whether the CACC and remaining National Department rollouts can be delivered by December 2015;
- Produce reporting that demonstrates progress achieving the commitment to have the IFMS “Key Impact Project” rolled out to National Departments by 2015; and
- Communicate the rollout schedule and ensure it is agreed with the impacted Departments, with acceptance captured formally so that Departments can be held to account for executing their responsibilities in relation to the rollout.

***Department of Finance: Agreed – site assessments and associated documentation completed for PM and NEC, DPM and Justice and Attorney General.***

***Recommendation 15 (Medium Priority)***

**5.5** The project team should quickly develop a repeatable Plan, Build, Deliver and Support implementation model that allows the project team to be able to effectively roll into each agency, build and deliver the IFMS solution, establishing effective (and sustainable) support capabilities, before rolling onto the next site.

***Department of Finance: Agreed – rollout template exists, based on existing work to date.***

***Recommendation 16 (High Priority)***

**5.6** Management should capture lessons learned from the implementation of IFMS into the Departments of Treasury, Finance and Planning and ensure these considerations are embedded into the implementation model and plans for each site. In addition, management should ensure that post-implementation reviews of each site rollout are performed and feed into adjustments to the rollout and implementation planning.

***Department of Finance: Agreed – post implementation reviews to be done independently of the Project by Internal Audit and Compliance Division.***

***Recommendation 17 (Medium Priority)***

**5.7** The execution against the rollout schedule should be closely tracked and actively managed by the Steering Committee and reported to key stakeholders. Given the scale of the rollout, strong discipline will need to be demonstrated by all parties involved in order to meet the timelines and effectively manage the rollout costs. Clear escalation to Senior Officials in Central Government should be used to resolved agency specific challenges that arise.

***Department of Finance: Agreed – escalation to be provided at the Deputy Secretary and Secretary level to the Project Board.***

***Recommendation 18 (Medium Priority)***

**5.8** The current project thinking is that the IFMS project will be disbanded at the end of 2015, with the ongoing rollout becoming a business-as-usual activity. Management should consider if a business-as-usual or project structure is the best vehicle for the continued rollout of IFMS to the provinces beyond 2015 – typically a project structure is the best way to deliver an activity that has the following characteristics (under the Prince2 Definition) “A Project is a temporary organisation that is created for the purpose of delivering one or more business products according to an agreed Business Case.”

***Department of Finance: Agreed, but with actions taken to ensure project skills are incorporated into business as usual.***

## **Revisit the current project budget allocations**

### **Findings and impact**

**5.9** The IFMS Project Team plans to rollout the IFMS to 30 plus departments (in Port Moresby and Milne Bay) between 2013 and December 2015. The allocated budget for the IFMS rollout to December 2015 is PGK 9.4 Million in 2013, PGK 9 Million in 2014 and PGK 9 Million in 2015. It is important to note that a significant proportion of this allocation (greater than 25%) will be used to activities other than rolling out the IFMS. The IFMS Program Manager estimates that the 2013 allocation will be consumed performing the following activities:

- Rolling-out IFMS to the National Departments – 74% of allocation;
- Providing business-as-usual support for the IFMS system (to the three pilot Departments) – 17% of allocation (an activity that would normally be performed by an IT function); and
- Providing business user support for the usage of IFMS – 9% of allocation (activities that would normally be performed by the business users themselves).

**5.10** This approach to allocating budget is overstating the cost of rolling out IFMS and understating the operating costs of the three pilot Departments.

**5.11** As the rollout continues, the Program will continue to provide significant functional, technical and business user support to the three pilot departments as well as each new department that is brought on-line.

**5.12** Importantly, the rollout has not been planned in sufficient detail (as noted in paragraph 5.2), making it difficult to determine whether the current budget allocation to IFMS is sufficient to perform the rollout activities.

### **Risk**

**5.13** Continuing with the current budget allocation approach will continue to overstate the cost of rolling-out IFMS and understate the operating costs of the three pilot departments.

**5.14** Given that program activity will need to escalate during the rollout and that activities have yet to be planned at a detailed level, there is the risk that the current budget allocation will not be sufficient to deliver the rollout of the IFMS project to December 2015.

### **Recommendation 19 (Low Priority)**

**5.15** IFMS Project and Program Managers should more accurately quantify the cost of supporting the pilot departments and engage with those departments to:

- At a minimum, provide greater visibility to the cost of supporting IFMS; or
- Explore inter-departmental funding arrangements that could be established.

**Department of Finance: Agreed.**

**Recommendation 20 (High Priority)**

**5.16** IFMS Project and Program Management should use the rollout planning process to understand the likely cost of the rollout to December 2015. During the planning process, management should consider that the project will need to continue to ramp up its resourcing levels over time in order to meet its current and future business support commitments in parallel with executing the rollout.

**5.17** Once properly understood, the cost of the rollout should be formally communicated to the relevant key stakeholders and should form the basis of any additional funding requests.

**Department of Finance: Agreed.**

**Recommendation 21 (Medium Priority)**

**5.18** Management should then consider the defined project costs (for the rollout up to the December 2015) in the context of the defined business case (as recommended at Recommendation 1), and reaffirm the decision to proceed with the project with full knowledge of the projected costs.

**Department of Finance: Agreed.**

**Recommendation 22 (Medium Priority)**

**5.19** Management should establish and report the total cost of the IFMS Project to date. These costs will be required to:

- Establish an IFMS asset in the Department of Finance Asset Register (refer to Recommendation 23); and
- Provide transparency within the formal IFMS business case (refer to Recommendation 1).

**Department of Finance: Agreed.**

## **Capitalisation of project costs**

### **Findings and impact**

**5.20** IFMS project costs to date have not been tracked and the value included as an asset in the Department's asset register (per IPSAS 31 guidance).

### **Risk**

**5.21** This may lead to some stakeholders not treating IFMS as an asset that has value and warrants ongoing investment – making it easier for those that don't support IFMS to disregard the investment to-date and advocate the ongoing use of PGAS, or an investment in another solution.



### **Recommendation 23 (Medium Priority)**

**5.22** The IFMS is now in use at the three pilot departments and has to be disclosed in the Department of Finance's Asset Register (per IPSAS 31). The IFMS Project Team should provide their estimate of the IFMS project costs to the Accounting Frameworks Division so that the value of this asset is recognised.

**Department of Finance: Agreed – costing completed.**

## **Validate the current IFMS architecture**

### **Findings and impact**

**5.23** The original requirements for the IFMS solution called for the capability to operate in a decentralised architecture, due to the challenges of geography and network connectivity in the Provinces. For reasons we have not been able to establish, it was decided early in the implementation of IFMS (prior to 2008) to change to a completely centralised solution architecture.

**5.24** The centralised architecture requires all sites to have a reliable network connection back to servers hosted at the Department of Finance in Port Moresby. However, network connectivity in some provinces is still unproven and is anticipated to be unreliable at best.

### **Risk**

**5.25** Given the current architecture of IFMS, and unproven network infrastructure (due to site surveys having yet to be completed at many sites) the risk exists that the rollout of IFMS (in its current form) to remote sites may be delayed or indeed may not be possible.

**5.26** Significant delays in rolling out IFMS or failure to rollout to some remote sites may create negative sentiment around the IFMS project and real challenges for business acceptance of the system – particularly given that the PGAS system operates in a stand-alone mode in all provinces.

### **Recommendation 24 (High Priority)**

**5.27** Management should collate the results of the site surveys and understand from telecommunication providers whether current problem sites will be addressed within reasonable timeframes through planned network upgrades.

**Department of Finance: Agreed – ICT Division to provide.**

### **Recommendation 25 (Medium Priority)**

**5.28** Where planned upgrades are not forthcoming to address problem sites, management should consider the feasibility of options that include:

- Engaging with TechnologyOne (the vendor of FinanceOne, the product that underpins IFMS) to understand how a standalone IFMS site installation might be architected and operate, as well as the cost of establishing such sites – we understand that the standalone architecture for FinanceOne is technically possible;
- Engaging with TechnologyOne to understand the timing of the yet to be released version of FinanceOne that is architected using web services – offering network bandwidth

savings compared to the current version that is deployed via Citrix. Importantly, management should also understand the cost and effort to perform such an upgrade;

- Partnering with other Government agencies or commercial entities (such as Bank of South Pacific) to share bandwidth or split the cost of new dedicated links; and
- Having different architectural and connectivity options may add some flexibility to the rollout schedule and will remove some of the dependency on commercial and Government telecommunication providers.

***Department of Finance: Agreed. Note Web services version of the application has been installed.***

## Key person risk

### Findings and impact

**5.29** The current Deputy Program Manager on the project provides considerable direction, drive and vision to the project. The Deputy Program Manager holds good working relationships with the Project Steering Committee and is one of the few people that can clearly articulate the current state and direction of the project.

**5.30** From our involvement with the project team and other stakeholder groups, we have observed that there is no obvious successor to the Deputy Program Manager that shares the same attributes, capabilities and project vision. In addition, we noted that the views of the project team members are not always aligned to the Deputy Program Manager on some of the ways to proceed in executing the rollout plan.

**5.31** The Deputy Program Manager has clear strategies for engaging with stakeholders. However, these strategies are not formal or widely understood amongst the team, making it difficult for other IFMS project team members to assist the Deputy Program Manager with this stakeholder engagement.

### Risk

**5.32** There is significant risk that, if the Deputy Program Manager were to leave the project, the project will lose significant retained knowledge, leadership and momentum, jeopardising the planned rollout timing.

### ***Recommendation 26 (High Priority)***

**5.33** Management should:

- Action the planning related recommendations above (refer Recommendations 1, 2, 3 and 14) and ensure that the documentation produced reflects the vision and knowledge of the Deputy Program Manager;
- Take steps to systematically document / transfer the knowledge of the Deputy Program Manager to other appropriate project team members; and
- Consider introducing a highly experienced and professional project manager to work along-side the Deputy Program Manager to:
  - 1) assist in transferring the knowledge;

- 2) re-energise the Project Team, Steering Committee and stakeholder groups with fresh thinking that is not associated with the project challenges of the past; and
- 3) assist with the significant replanning and execution of the IFMS rollout to 2015 and beyond.

**Department of Finance: Agreed – note an experienced PNG citizen Project Manager appointed.**

## The current IFMS Project resource model

### Findings and impact

**5.34** The IFMS Project Team is currently engaged in three primary activities:

- Providing functional and technical support for IFMS to the three pilot departments;
- Performing business user activities in IFMS for the three pilot departments (e.g. budget and account preparation); and
- Planning the next phase of the IFMS rollout.

**5.35** We acknowledge that there are reasons behind the decision to retain business-as-usual and support activities within the project since the go-live in January 2011. However, this decision has:

- Resulted in project resources having little to no capacity to plan and execute the next phase of the rollout due to the large amount of business-as-usual and support effort required;
- Distorted the perceived cost of the project as the cost of project resources to perform business-as-usual and support activities that should have been attributed to the departments have been, and continue to be, borne by the project; and
- Provided an opportunity for the pilot departments to not fully accept responsibility and ownership of IFMS – the project team is compensating for this by performing user roles, which in turn creates a segregation of duties issue given those support staff have elevated privileges.

### Risk

**5.36** The IFMS project team continuing to perform the current responsibilities will likely result in the following risks materialising:

- The rollout will be delayed due to project resources not having the capacity to focus on planning or executing the rollout;
- The project will suffer reputational damage due to continuing to incur costs for business-as-usual activities that should be incurred by the departments; and
- Departments will not accept or take ownership of IFMS.

### **Recommendation 27 (Medium Priority)**

**5.37** Management should:

- Work closely with the departments and ICT Division to develop the capability and capacity to hand business-as-usual and support activities over to the departments in order to free up project resources; and
- Develop a sustainable resource model where:
  - 1) the project takes on support activities for a finite period of time for newly rolled-out departments before handing back to effectively trained users and support functions that have been established during the site implementation activities; and
  - 2) the project team is then able to roll on to the next site within the rollout plan. Ideally this can be done with the project considering multiple sites (at different rollout stages) at any one time.

**5.38** This model should be defined in the Project Plan and the RACI matrix should demonstrate that business groups will have accountability for ensuring staff are trained and that support capabilities are established.

***Department of Finance: Agreed.***

***Recommendation 28 (Low Priority)***

**5.39** The role that the IFMS project is performing equates to a quasi-shared services provider. Consequently, Management should evaluate the option of legitimising IFMS as a shared services group, rather than pushing the non-project related responsibilities back to the departments. While this option has some positive attributes, it needs careful consideration as there are some fairly significant challenges to overcome, not the least of which include:

- The need to resource up significantly to execute the rollout plan, while continuing to provide support to live agencies; and
- Overcoming the business buy-in challenges that exist in the current environment, but are typically exacerbated under a shared service model.

***Department of Finance: Agreed.***

## 6. Process improvement opportunities

---

**6.1** The following performance improvement opportunities were also identified during the audit review procedures. These represent low priority observations that should also be considered by management to improve IFMS utilisation and safeguard project knowledge.

### ***Opportunity 1: Asset module utilisation***

**6.2** The IFMS has a fully functioning, integrated asset management module available to be used by the pilot departments. However, utilisation of the asset management module has been limited to date, anecdotally due to a lack of pre-existing asset management process and discipline within the pilot departments.

**6.3** The implementation of asset management processes within the departments is beyond the scope of the IFMS project. However, an opportunity exists to initiate a project in the future to utilise IFMS to embed better practice asset management processes within the departments.

### ***Opportunity 2: IFMS training strategy***

**6.4** The IFMS training strategy does not currently include regular, formal training for users. Lessons learned from PGAS show that annual, formalised training for users has been key in achieving consistent outcomes and compliance with accounting processes.

**6.5** An opportunity exists to leverage the lessons learned from PGAS to enhance the IFMS training strategy to include regular, formalised training. This ongoing training should be embedded as a business as usual activity and be led by the Department of Finance training branch.

### ***Opportunity 3: Securing project knowledge***

**6.6** Non-technical project artefacts are currently stored across project team member's "C:\\" drives. These drives are not backed up and are only accessible by single users. Consequently, in the event of a disaster, or C:\ drive failure, there is significant risk that these artefacts will be lost.

**6.7** The project has a shared directory available that is regularly backed up by ICT Division and is currently used to store project technical documentation. There is an opportunity to more effectively (logically) secure this directory and move the non-technical project documentation to the same shared directory to help mitigate the risk of the project artefacts being lost.

# AGO Performance and Special Reports

---

1. The Effectiveness of Solid Waste Management in Papua New Guinea (2010)
2. Access to Safe Drinking-Water in the National Capital District – Papua New Guinea (2013)
3. District Services Improvement Program (2014)
4. Performance Audit on the Management and Reporting of Trust Accounts (2014)