
EXECUTIVE SUMMARY

In April 1997, the Government announced the Whole-of-Government Information Technology Infrastructure Consolidation and Outsourcing Initiative. The project was to be completed within two years and in undertaking the task, the Commonwealth embarked upon the largest and most complex IT outsourcing project in recent history.

The Committee has followed the evolution of the Initiative to date, to monitor progress and to ensure that future IT outsourcing projects, result in an efficient, effective and ethical use of Commonwealth resources. This final report, following the Committee's two interim reports on accountability issues relating to the Initiative, looks critically at the processes and outcomes of the Initiative and anticipates moves towards the new IT outsourcing environment.

The Committee has found that the sheer size of the implementation task was ambitious and the Initiative introduced substantial risks in its own right. While it is agreed that the Initiative was a major and important undertaking, this detailed and long-ranging inquiry has revealed a series of problems, incidents and shortcomings. The Committee has addressed these issues seriously, but takes account of the positive aspects of the Initiative. What the Committee has endeavoured to produce is a forward-looking report with practical recommendations to improve all future aspects of IT outsourcing.

Although competitive tendering and contracting out is not new, the Initiative has attracted considerable attention within Australia and internationally. The work of the Auditor-General and the independent review of the Initiative conducted by Mr Richard Humphry AO, have each contributed to the Committee's findings. Approaching from different perspectives to assess overall financial and contractual performance, and to assess implementation risks, the Committee's deliberations have been greatly assisted by the Auditor-General's analyses and recommendations.

Acknowledging that the Government has taken heed of the majority of the recommendations emanating from the Humphry Review, the Committee has gone further with its own recommendations that are designed to strengthen accountability and increase transparency in contractual dealings.

Referring specifically to contract management, the Committee suggests ways to improve efficiency and effectiveness. The Initiative demanded high-level project management skills from OASITO, an administratively created agency established for the task of implementing IT outsourcing policy. The Committee finds that with adequate planning, OASITO could have achieved a simpler, shorter, less costly and more rigorous process. While all understood and supported the whole-of-government approach to achieve efficiencies and synergies, the imposition of an aggregated cluster model and centralised control of the contracting process did not receive unqualified support from a significant number of agencies.

The Committee has therefore tackled the broader policy issue of where whole-of-government outsourcing fits in a devolved environment and touches upon matters such as improving the Commonwealth Procurement Guidelines, as well as the role of a central unit to assist agencies with IT outsourcing in a truly devolved environment.

It was proposed that the Initiative would build on the experiences of other government and private sector organisations, it would create substantial opportunities for small to medium-sized Australian enterprises, and would generate employment in metropolitan and regional Australia. The Committee has found that aspirations have not always matched reality and some outcomes have been less than optimal. However, the Committee has looked for better ways to achieve a ‘win-win’ situation, to achieve a more dynamic result for government agencies in service delivery, to open up processes to allow greater capacity for local industry development, in a transparent and fully accountable environment.

Among the positive outcomes anticipated was that agency cluster/contractor relationships would create productive and innovative synergies and save the Commonwealth up to \$1 billion over seven years. The Government’s commitment was to achieve the best value for the information technology dollar and support the delivery of services at the lowest cost to the taxpayer. OASITO, as a strategic agency, was tasked with assisting agencies with the tendering process and contract negotiations.

In this report, the Committee has highlighted failures in achieving projected cost savings, difficulties experienced in transition to total outsourcing, and other matters, particularly those related to documentation of results. More positively, the Committee has also found agencies that have succeeded in building genuine partnerships with their providers and have consequently set standards for what both agencies and business should be working for.

By highlighting the best examples of IT outsourced partnerships in the post-Humphry Review environment, the Committee reminds the Senate that \$1.2 billion of public money has already been committed under the Initiative. In the light of evidence produced in this inquiry, the Committee has focused on strategic improvements to many facets of outsourcing, including probity and contract management, data security, intellectual property, succession planning, privacy, savings, industry development, and the development of a central body of experience and expertise that will assist agencies to productively and successfully outsource their IT requirements in a truly devolved environment.

The Committee recognises that there is a need to take active measures to restore confidence in the business world and to revitalise the Initiative within agencies. The Committee calls on the Government to engage in open and robust debate about moving IT forward in the Australian Public Service, and to assist agencies and private industry to re-boot the Initiative.