

1 Audit summary

1.1 Introduction

The Integrated Courts Management System (ICMS) is a major Information Technology (IT) initiative of the Department of Justice (DOJ).

The objective of the program is to establish a single integrated technology platform and a set of applications for all Victorian courts and tribunals to:

- enable the courts and tribunals to deal effectively with the increasing volume and complexity of cases
- improve justice system efficiency in case management
- improve the experience of community and legal practitioners in dealing with the justice system.

The 2005–2006 State Budget allocated \$45 million to the ICMS program, which began in July 2005 as a four-year program. The budget allocated \$32 million for capital and \$13 million for operational expenses.

The ICMS program is highly complex, and involves a number of legal jurisdictions. It is being implemented in a period of significant reform in the Victorian courts and tribunals, which adds to its complexity.

At the core of the ICMS program is a common case management system for all Victorian legal jurisdictions. The case management system is an electronic system designed to manage cases in the justice system from start to finish.

The ICMS program has a number of associated deliverables, including:

- establishing and enhancing the videoconferencing and electronic evidence management capabilities in a number of court locations
- introducing internet-based services such as payment facilities, document lodgement and information management
- establishing a courts data warehouse system for collecting and storing data to facilitate analysis for effective decision making.

It affects the following court and tribunal jurisdictions:

- Supreme Court of Victoria
- County Court of Victoria
- Magistrates' Court (including Coroner's Court, Victims of Crime Assistance Tribunal)
- Victorian Civil and Administrative Tribunal
- Dispute Settlement Centre Victoria
- Children's Court of Victoria.

It involves major change for these jurisdictions to improve and integrate their justice services by implementing a common technology platform and harmonising processes.

1.1.1 Objective of this audit

The objective of the audit was to assess whether the progress of the ICMS program has conformed with its original investment objectives.

We examined:

- program planning, including the development of the funding proposal
- procurement strategy, planning and process
- program controls, including program monitoring and review.

1.2 Conclusion

There has been a significant delay in the ICMS program and implementation costs have risen. Unsatisfactory supplier performance has been a major factor in the time and cost overruns. However, inadequacies in the planning and management of the ICMS program have also contributed to the program's difficulties.

The rationale for the investment, nevertheless, was and remains sound. ICMS promises to allow the courts to be managed and run as a coordinated system. DOJ has placed a high emphasis on stakeholder management, and is putting significant effort into engaging stakeholders, as their participation is crucial to the program's success. Encouragingly, we found a number of instances where program participants from various jurisdictions were already pooling their resources to coordinate their systems and processes.

The business case presented to government provided a sound argument based on service need and policy drivers for the investment in ICMS but there were critical gaps in the assessment of the proposed case management solution.

The program underestimated the risks involved in its approach to:

- assessment of program costs
- analysis of industry capability to meet the business requirements
- procurement strategy.

After a prolonged and complex procurement process a different case management system was pursued to the one proposed in the funding submission. The implications of the changed approach were not thoroughly reassessed.

A non-traditional approach to managing the relationship with multiple suppliers was adopted and the consequent risks of this choice were underestimated. DOJ's supplier coordination ability was less than robust and there were gaps in the risk management approach that resulted in the realisation of some key risks.

Nevertheless, DOJ has addressed significant challenges encountered by the ICMS program, mainly due to supplier issues. In spite of these challenges, DOJ has been able to maintain the program momentum.

By their very nature, transformational IT-driven programs are complex and risky. A program such as ICMS, which is being implemented in a period of significant reform in the justice system, is even more complex.

This audit found a number of effective practices adopted by the ICMS program to deal with such complexity. These practices include:

- strong articulation and communication of vision
- strong belief in the value of the outcome from all the stakeholders
- real commitment from the steering committee and program management team
- active involvement of stakeholders from the judiciary
- effective use of resources from jurisdictions within the program team
- focused effort on dealing with change management
- strong contract management procedures
- sustained effort from the steering committee and program management team to see the program through difficult periods.

Nevertheless, the audit also found some major flaws in program planning and control from which important lessons need to be learned. Consequently, this report focuses on these program management shortcomings.

1.3 Findings

1.3.1 Current status of the ICMS program

The ICMS program commenced in July 2005 as a four year program scheduled to complete in June 2009.

Two of the five program components have been delivered, but the case management system, the largest and most complex component, has been delayed by at least fourteen months with the completion date revised to August 2010.

The capital cost of the program has increased from \$32.3 million to \$44 million, an increase of \$11.7 million, or 36 per cent. As at March 2009, \$28 million of the allocated \$32.3 million in capital funds had been spent.

Due to delay, the ICMS program's operational spend has been deferred. For the four year period covered in the allocated budget, operational costs have reduced from \$12.8 million to \$7 million.

Software for the case management system began to be delivered in February 2009. This software release will be configured by DOJ for the use of the Supreme Court, the first jurisdiction in DOJ's planned roll-out schedule. Incremental delivery of software is planned for other jurisdictions.

DOJ bought a case management system supplied by a United States based company, with the contract for implementation signed with its fully owned Australian subsidiary. The supplier's poor performance has significantly contributed to the program's delay.

In September 2008, the supplier advised DOJ that it had sold its software development division, including the ownership of its case management solution, to another company based in Canada. This sale led to significant contractual negotiations between DOJ and the supplier. These negotiations were effectively settled in April 2009, to DOJ's satisfaction.

More positively, the ICMS program has commenced planning for service readiness, in association with the jurisdictions. This is important, as realisation of most of the benefits associated with the ICMS program is contingent on the successful roll-out of the case management system.

DOJ believes that the completed projects, Judicial Officers Information Network (JOIN) and Smart Courts, are starting to deliver some benefits. For example, online resources available on JOIN have saved judicial users many hours of legal research time. DOJ is in the process of collecting the relevant benefits measurement data to validate these early observations.

1.3.2 Planning for ICMS

The need for the investment in ICMS was soundly established. The ICMS business case thoroughly described its objectives, scope, the service need for ICMS, and identified key stakeholders. It had a robust plan for stakeholder engagement and communication.

The business case for ICMS was built on the premise that DOJ would enhance the existing case management solution used in the County Court and implement it in other jurisdictions. This was expected to provide value for money, with lower risks compared to the alternatives.

However, there were critical uncertainties in DOJ's assessment of system costs and supplier analysis when developing the business case.

The procurement strategy for ICMS was not well defined. A robust analysis was not undertaken to establish the implications of pursuing a non-traditional method of using a systems integrator, which is a supplier that takes products from multiple sources and integrates them into a complete working solution.

During the procurement process DOJ found that its preferred option of enhancing an existing solution was not viable due to gaps between DOJ's technical expectations and supplier capabilities.

In the end, DOJ selected a different case management system solution from the one recommended in the funding proposal. The selected solution involved a higher degree of delivery risk. DOJ's assessment of the implications of the changed solution approach for the program, however, was not robust.

DOJ introduced strong measures to the contractual model to manage payments for deliverables such as staged payment commitments, payments based on the measured value of deliverables, and risk sharing mechanisms.

DOJ followed the appropriate procurement and probity processes. The steering committee and DOJ's senior management ratified the program's procurement, satisfying their accountability obligations.

1.3.3 Program control

The ICMS program has faced significant challenges due to supplier related delivery and contractual issues.

DOJ has been able to maintain the program momentum despite these issues and has secured an appropriate contractual arrangement with the suppliers involved.

DOJ has thoroughly engaged program stakeholders and has designed the ICMS organisation effectively. It has addressed the issues that arose outside of its direct control.

DOJ assumed an increased responsibility for supplier coordination due to the supplier engagement model it pursued. However, its supplier coordination ability was not robust due to its use of an ineffective delivery monitoring mechanism.

DOJ's risk management approach in the ICMS program had gaps, particularly in the early stages. It underestimated key risks which later materialised with adverse effects. For a large part of the ICMS program, lack of up to date program control documentation has hindered DOJ's ability to critically assess the program's ongoing viability.

The ICMS organisation and governance model reflected industry best practice in project and program management. Notwithstanding, this model would have benefited from the inclusion of independent representative with specialist expertise to assist with challenges associated with a major IT-driven transformation program.

1.4 Recommendations

For the ICMS program, DOJ should:

- produce, and communicate to stakeholders, a comprehensive service readiness plan, as per the guidelines available from program management best practice and Gateway, to assist delivery of ICMS benefits (**Recommendation 4.1**).
- use the Gateway Review Process to assess:
 - readiness for service
 - benefits realisation (**Recommendation 4.2**).
- put in place a mechanism for monitoring and reporting the status of supplier deliverables using the 'effort remaining' measure and clearly allocate associated responsibilities between DOJ and the Systems Integrator (**Recommendation 6.1**).
- appropriately document and maintain the business case and program management plan as per the project and program management methodology adopted by the ICMS program (**Recommendation 6.2**).
- clearly report the progress of the ICMS program against the costs and schedule reference data outlined in the business case (**Recommendation 6.3**).

For large IT transformation programs, DOJ should:

- review the lessons learned from supplier delay, and apply these to current and future due diligence assessment of supplier capability (**Recommendation 4.3**).
 - incorporate a thorough assessment of the supplier market, as per DTF's business case development guidelines, in its funding proposals (**Recommendation 5.1**).
 - review its approach to supplier coordination in the ICMS program to guide the development of future procurement strategies (**Recommendation 6.4**).
 - incorporate the use of system sizing analysis tools used in the IT industry as an objective basis for assessing:
 - the fit of candidate solutions to business requirements
 - system development costs (**Recommendation 5.2**).
 - undertake periodic reviews by external organisations specialising in IT program health-checks (**Recommendation 6.5**).
 - align its risk management approach with DTF's recently launched project risk management guidelines (**Recommendation 6.6**).
 - incorporate independent representatives with specialist expertise into governance bodies (**Recommendation 6.7**).
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