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Verdict on a \$64m project failure

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Inter-departmental warfare played a significant role in the failure of a \$64 million federal IT project, according to the Auditor General, who had the last word on the long-running debacle yesterday.

Among a series of criticisms the audit report notes ongoing tensions between the two agencies involved, Centrelink and the Department of Family and Community Services (FaCS).

"There were tensions between FaCS and Centrelink at all levels during the project," says the report. "It would have been surprising if there were not, as the two agencies had somewhat differing needs from the project.

"Generally, work on the project progressed despite the tensions. The tensions were greater at more senior levels, where funding could not be agreed, and effective high-level governance of the project was not evident."

A memorandum of understanding covering funding and savings from the project was never concluded between the two agencies as intended, leaving responsibility for costs in dispute.

"Progress in a project where the owners are in dispute over costs is difficult," the Auditor-General comments.

The "Edge", as it became known, was a joint project between Centrelink and the Department of Family and Community Services which, after a trial in 1997, commenced in March 2000 and was terminated in November 2003. It aimed to streamline Family Assistance claims through the implementation of what is known as an "expert system", a system that was designed to apply Family Assistance Office policy rules to customer information as it was entered into the system to determine a person's entitlement.

The Auditor-General found that as funding could not be agreed between the two agencies, Centrelink had to provide the bulk of funding until planned savings eventuated. This led to repeated requests for additional funding within Centrelink, and eventual reluctance to continue funding the project, especially as savings were to be shared between the two agencies.

"There was little incentive for Centrelink to conclude the project, at which point they would have to give up savings to FaCS, potentially upwards of \$11 million annually, unless they could clearly obtain those savings. Assessment of the actual savings had been deferred until the Edge system was implemented."

Given the complexity of legislation and policy around the Family Assistance system, the Auditor-General has backed the decision to find an administrative solution through an IT project but criticised that project's management and governance on numerous counts.

Among other failures, he cites a failure to include a method for gauging whether the project was successful. The project's business case also did not identify measures to manage significant risks identified in the business case, namely the impact of delays in linking the Edge with departmental mainframes.

"In the event, this risk proved to be a significant factor in the delay to the project," the report says.

Fault was also found with the procurement and evaluation process that saw Softlaw emerge as the successful supplier. Softlaw was paid \$30 million of the over \$64 million spent on the development.

The Auditor-General found there was no project plan current during development of Edge and no formal development methodology. He notes there were 129 formal changes to the contract with SoftLaw, 34 versions of the contract, and the number of deliverables specified in the contract increased from 205 to 365. Some of these changes were driven by changes in legislation.

One such change, the introduction of 2002's "More Choice for Families" initiative, meant the Edge rule-base had to be continuously adjusted, requiring some redesign. Such issues led to a review team concluding the system no longer met business requirements in 2003.

The audit also found that the joint steering committee for the project met regularly until 1999, only once in 2000 and four times in 2001. It never met again as a full committee after November 2001, even though the project continued for two more years.

"Papers were circulated to members of the joint FaCS–Centrelink Steering Committee. No response was taken as no objection, and therefore as approval," the report says.

The financial management of the project was found to be appropriate.

In the end the project was terminated when it was found there was no guarantee it would be able to replace the equivalent part of the FaCs system at that time "or into the foreseeable future".

Both FaCS and CentreLink have agreed with the Auditor-General's two recommendations and implemented measures to improve project governance and to ensure metrics for measuring project success or failure are included in future business cases.

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