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Government
of South Australia

Report

of the

Auditor-General

Supplementary Report

for the

year ended 30 June 2014

Tabled in the House of Assembly and ordered to be published, 4 December 2014

First Session, Fifty-Third Parliament

Matters of specific audit comment: December 2014

By Authority: A. Martin, Government Printer, South Australia

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3 December 2014

The Hon R P Wortley MLC
President
Legislative Council
Parliament House
Adelaide SA 5000

The Hon M J Atkinson MP
Speaker
House of Assembly
Parliament House
Adelaide SA 5000

Dear President and Speaker

Report of the Auditor-General: Supplementary Report for the year ended 30 June 2014: Matters of specific audit comment: December 2014

Pursuant to the provisions of the *Public Finance and Audit Act 1987*, I herewith provide to each of you a copy of my Supplementary Report for the year ended 30 June 2014 'Matters of specific audit comment: December 2014'.

Effective delivery of major information and communications technology projects

Part A of my Annual Report for the year ended 30 June 2014 (page 21), tabled in Parliament on 14 October 2014, indicated that Audit was finalising a review of some important information and communications technology development and implementation projects for certain agencies and that matters arising from the review would be subject to Supplementary reporting to Parliament.

This Supplementary Report communicates the results of the completed audit review.

Gillman site transaction

On 13 December 2013 the Premier and Minister for State Development, the former Chief Executive of the Urban Renewal Authority and Adelaide Capital Partners entered into the Lipson Industrial Estate Option Deed, for Adelaide Capital Partners to acquire up to 407 hectares of the Gillman precinct within three options over a nine year period for up to $122.1 million (Gillman site transaction).

Part B of my Annual Report for the year ended 30 June 2014 (page 2262), also tabled in Parliament on 14 October 2014, indicated that Audit was progressing the finalisation of the review of the Gillman site transaction. I further indicated that the results of the audit review would be subject to Supplementary reporting to Parliament.

The audit review was recently completed.

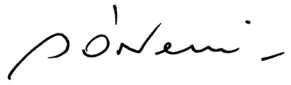
Members of Parliament would be aware that the Gillman site transaction is at this time the subject of proceedings before the Supreme Court of South Australia and judgement is pending in that matter (*Acquista Investments Pty Lt & Anor v Urban Renewal Authority & Anor*).

I am very mindful of my statutory responsibility to independently report on completed audits or examinations to the Parliament, including the recently completed audit review of the Gillman site transaction. I am also most conscious that the discharge of my reporting responsibility does not have the tendency to interfere with the administration of justice while legal proceedings concerning the Gillman site transaction are sub judice.

I have given diligent consideration to these matters. This has involved importantly seeking and receiving independent authoritative legal advice concerning the matters.

As a result of my deliberation of these matters I have decided to defer delivery of my report on the audit review of the Gillman site transaction to each of you for tabling in Parliament. I expect to be in a position to deliver my report to each of you as soon as judgement has been delivered in the present Supreme Court proceedings.

Yours sincerely



S O'Neill
Auditor-General

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Effective delivery of major information and communications technology projects: delays, costs, loss of benefits: ongoing audit concern

1 Introduction

Previous Reports have included commentary on some major information and communications technology (ICT) project (program) developments. This has been done to highlight problems that have arisen during their development and implementation.

The problems, if not managed in a timely and proper manner, can result in increased costs, time/benefit realisation delays or material loss through project abandonment, functional deficiencies or prolonged use of legacy systems.

At the time of preparation of my Annual Report, tabled in Parliament on 14 October 2014, Audit was finalising a review of some important ICT development projects, notably:

- Oracle Corporate System and One Procurement Solution program (OCS) – a whole-of-health integrated financial system to replace health unit legacy financial systems
- Enterprise Patient Administration System (EPAS) – a replacement for a large number of legacy patient administration systems operating within health units
- Revenue Information system to Enable Compliance (RISTEC) – a replacement taxation revenue management system
- Concessions and Seniors Information system (CASIS) – a system development for the management of concessions.

My Annual Report indicated that matters arising from the review would be subject to supplementary reporting to Parliament.

This Supplementary Report presents relevant observations arising from the review of the abovementioned ICT project developments which evidences concern for their effective delivery (see sections 5 to 8 of this Report). It also raises specific matters for consideration by government to strengthen the approval and monitoring processes for ICT projects (see section 4 of this Report).

2 Audit review of ICT project developments

As in past years Audit continues to review aspects of agency ICT projects, with a particular focus on major projects. Major projects are generally characterised by their significant dollar outlay, multi-year timeframe for completion and achievement of benefits, and implications for inter-agency or government-wide operations.

The abovementioned projects, with the exception of EPAS, have been subject to comment in previous Reports about their costs/benefits and deliverables. This commentary provides a progress update on the previously reported projects.

Further to the review of these major projects, other ICT projects of a much lesser significant financial nature (but nonetheless important for particular agency administration/service

delivery functions) were also subject to review during 2013-14. Specific commentary on these reviews are outlined in the relevant agency reports in Part B of my Annual Report to Parliament.

3 Problems and difficulties confronting ICT project developments

The audit commentaries for the four ICT development projects in sections 5 to 8 of this Report indicate various problems and difficulties that have been experienced by the projects, resulting in increased costs and a reduction of anticipated benefits.

These projects, some the subject of external checkpoint or gateway reviews, have highlighted potential risks and challenges that must be resolved in a timely manner.

In brief the audit commentaries make reference to the following matters:

- timely revisit of project governance and reporting arrangements
- lack of revisit of business cases to confirm assumptions, costs and benefits realisation
- lack of advice of key project changes or the provision of regular status reports to the responsible Minister and/or Cabinet
- project delays and extended timelines for completion
- system implementer difficulties
- late delivery or not fit for purpose system functionality
- inadequate system and user acceptance testing and defect change management
- inadequate change management and user training.

4 Stronger measures for approval and monitoring of ICT project developments by government

Individual government agencies are responsible for their finances and operations and hence for the governance of their ICT activities, including project developments. With this responsibility is their related accountability obligation to the responsible Minister and/or Cabinet. In particular, the responsibilities to provide correct and complete advice about the viability of the particular project development (through the underlying business case), to monitor progress against benchmarks and to alert the Minister and/or Cabinet promptly when the project gets into trouble.

Within this context and on the basis of Audit observations I raised certain notable matters for consideration by government to strengthen the approval and monitoring processes for ICT projects:

- ICT projects should only be approved if underpinned by a comprehensive business case which includes critical assumptions, costs and benefits realisation.

  The business case supports the viability of the project. Key changes to a project or phased/staged implementation of a project should be a checkpoint for revision of the business case for subsequent approval to progress the project.

- ICT projects, depending on their nature, should be subject to detailed mandatory regular reporting of progress to either the responsible Minister and/or Cabinet relative to the approved business case assumptions and targeted benchmarks. For phased/ staged developments also at the completion of each phase/stage prior to progressing to the next phase/stage.

5 Oracle Corporate System and One Procurement Solution program

The progress concerning this significant Department for Health and Ageing (SA Health) financial system program development has been the subject of comment in the 2010-11 and subsequent Annual Reports to Parliament.

5.1 Program background

In November 2009 Cabinet approved the implementation of its new financial management system, called Oracle Corporate System (OCS). This system aimed to replace SA Health and health unit legacy general ledger and financial systems with a whole-of-health integrated financial system.

Since July 2010 SA Health has been implementing OCS. This implementation was originally planned to be undertaken in two phases with all releases to be implemented by November 2010. Due to implementation problems the full rollout of OCS was not completed by that date.

To finalise the rollout of OCS a new program phase (Phase 3) was initiated, which was approved by Cabinet in December 2012. This phase is now known as the One Procurement Solution (OPS) program.

Unlike the first two phases, Phase 3 is not using an external System Integrator. Instead internal staff are being used with assistance from external contractors when required.

The following summarises the implementation program phases:

- Phase 1 (Financials) – principally some accounts payable and accounts receivable functions, general ledger maintenance and reporting, budgeting and forecasting. Implemented in July 2010 to all locations identified in the program plan, initially with a low user base.

- Phase 2 (Procurement and supply chain and some financials) – principally inventory management, product information management, iProcurement, purchasing, order management, warehouse management, accounts payable and cash management. Release 1 of the Phase 2 implementation was completed in December 2010 but only to five sites, including Modbury Hospital.

- Phase 3 or OPS (Completion of the procure-to-pay and supply chain system deployment across SA Health). OPS also includes the additional scope deployment of the Shared Services SA Basware solution, for imaging and accounts payable workflow to fully automate the procure-to-pay process. Further details regarding the implementation status of OPS are discussed below.

The timely and effective delivery of OCS has an important benefits realisation interrelationship with SA Health's EPAS program development discussed in section 6 of this Report.

5.2 One Procurement Solution implementation status

The December 2012 Cabinet submission indicated that the OPS deployment was to be completed in the second quarter of the 2014-15 financial year.

Primarily due to difficulties recruiting suitably qualified implementation staff, in September 2013 the Oracle Phase 3 Program Board and the eHealth Steering Committee approved a revised plan for the OPS program. This resulted in the change of the estimated implementation completion date to July 2015, with the implementation delivered in six deployment groups.

Audit notes that since the September 2013 revised plan the rollout schedule has been extended, with the final group of health sites to be implemented in July 2015 and the program scheduled to close in August 2015. This re-baseline of the program reflected the additional time required for implementation based on experience of the first two groups of health sites.

At the time of preparation of this Report the first three implementation groups had been completed, which included the Royal Adelaide Hospital and the Queen Elizabeth Hospital.

Sites yet to have implemented OPS include the Women's and Children's Hospital (target date February 2015) and a number of Country Health Services (target date July 2015).

5.3 Oracle Corporate System budget status

In November 2009 Cabinet approved the implementation cost of OCS at $22.853 million (predominantly investing expenditure of $21.14 million).

The 2012-13 Report made reference to the December 2012 approved Cabinet submission that provided a revised upward total implementation cost for the program arising from the revisit of the rollout of OCS, including Phase 3. The total implementation cost of the three separate implementation phases was expected to be $62.445 million. This included a program cost of $25.349 million for the OPS phase and $15.15 million transitional staffing costs to maintain the legacy systems during 2012 to 2015. Operating expenditure (excluding depreciation) for OCS over 10 years to 2021-22 was expected to be $97.742 million.

The Cabinet submission also highlighted that improvements were required in a number of program management areas.

At the time of preparation of this Report there had been no change to the overall $25.349 million budget for the OPS implementation phase. This is despite the recent extension of the rollout schedule to the end of August 2015.

The program, however, has requested approval to release contingency funding of $3.284 million. This contingency funding is to provide additional resources for the rollout to the remaining health sites, based on experience from the first two implementation groups, and to meet the cost of resolving system issues that have emerged during implementation. This has left a contingency balance of $530 000.

The OPS program costs as at 30 September 2014 were:

	$'million
Total budget (including contingency)	25.349
Actual cost to date (as at 30 September 2014)	13.070
Estimated cost at completion	24.819
Remaining contingency	0.530

In relation to the transition costs, while not viewed by SA Health as strictly a cost of the implementation program, they do materially impact the program. This is through reduced benefits in the Total Cost of Ownership (TCO) business case and the requirement for funding until implementation of OCS is completed.

5.4 Oracle Corporate System benefits realisation

The December 2012 Cabinet submission estimated that the total 10 year benefit from 2012-13 to 2021-22 of OCS (when fully implemented) was $85.405 million. This figure was later revised in the OCS benefits realisation plan (version 1.4) dated July 2013. This benefits realisation plan provided a quantifiable confirmed benefit from 2013-14 to 2022-23 of $85.9 million.

SA Health has since released a new benefits realisation plan (version 2.0) dated June 2014. This revised benefits realisation plan was required to take into consideration delays in some start-up activities and a revision of the business model using the SA Health Distribution Centre to service all health sites. Details of the revised benefits were submitted to Cabinet in August 2014.

The revised benefits realisation plan indicated that since the original TCO business case there has been an anticipated reduction of benefits of over $30 million across the 10 year period.

In particular, the revised program completion date of August 2015 has resulted in the deferral of some benefits relating to:

- avoidance of duplicate costs for IT hardware and software maintenance and licensing of both legacy systems and the Procurement and Supply Chain systems
- avoidance of duplicate costs for people providing IT support for both legacy systems and the Procurement and Supply Chain systems
- the reduction of FTEs in the Procurement and Finance divisions to operate the hybrid environment of both legacy financial systems and OCS
- the reduced cost of managing accounts payable by decommissioning the SA Health invoice management team.

It is expected that the financial impact resulting from the delay in achieving these benefits will be met from the existing SA Health budget allocation.

Despite these revisions there remains an overall positive TCO for the program.

5.5 SA Health's Camden Park distribution centre

One important aspect noted in the August 2014 Cabinet submission related to impediments to achieving the expected savings from a centralised distribution model contemplated under the OPS program.

The original intention of the distribution model was to centralise inventory and supply chain operations at the SA Health Distribution Centre in Camden Park. This centre would then be required to hold bulk items and distribute to all hospital imprests on a regular basis.

The August 2014 Cabinet submission referenced an independent review titled 'Supply Chain Review', dated February 2014. This independent review, subsequently provided to Audit, was conducted to assess the distribution centre, including systems, resource modelling, processes and workflows to:

- determine the scalability of the distribution centre to support the continued deployment of OCS and the changed supply model for SA Health
- ensure that OCS will support the expected outcomes.

The February 2014 report concluded that the distribution centre, including the Oracle warehouse management module, was not ready to support the proposed supply chain and distribution model. In particular, future transaction volumes and planned inventory holdings were expected to grow significantly beyond the capacity of the distribution centre's current configuration and processes.

To remediate these issues the February 2014 report recommended:

- re-engineering of processes, such as inventory management
- revision of the distribution centre layout and fitout
- revision of the distribution centre's policies and strategies
- development of distribution centre roles and competencies
- improvement in system visibility and control (processes not reports)
- coordination of end-to-end supply chain processes through inter-organisational policy design and implementation.

In response the August 2014 Cabinet submission advised that a project has been started to identify feasible delivery options and to develop a business case for change. It is anticipated that this business case will be presented to Cabinet for consideration in early 2015.

In the interim it has been determined that health sites will migrate to the OPS solution from their legacy systems, but the sites will maintain their existing warehouses (inventories), internal distribution/imprest services, people and supply chain structure. Under this interim arrangement the Camden Park distribution centre will continue to operate as a normal distributor, supplying sites as is current practice, but direct through Oracle ordering instead of the planned 'direct delivery to imprest' supply model.

Until the capacity issues of the Camden Park distribution centre are resolved and reform is implemented the expected savings from 2014-15 of $2.9 million p.a. from the originally anticipated centralised distribution model cannot be fully realised. The loss of the expected savings benefits is included in the $30 million anticipated reduction of benefits referred to in section 5.4 of this Report.

5.6 Follow-up review of Oracle Corporate System Phase 1 and 2 system functionality and control issues

In addition to monitoring the implementation of OPS, Audit has been reviewing the remediation activities of system production control issues raised in previous Audit reviews.

In last year's Annual Report, Audit concluded that as at August 2013 SA Health had sufficiently resolved the majority of prior audit issues raised. This included improvements in interface management, change management, inventory management, imprest management and user access controls.

Despite these control improvements Audit noted that either there were certain issues that required further action or there were potential improvement opportunities that could be further applied. Audit also noted that SA Health had accepted a number Audit's previous findings and their associated risks. In these cases SA Health chose not to take any further actions, on the basis that either the issue will be resolved once EPAS is implemented or adequate manual processes were in place to mitigate the risk.

Issues listed as addressed but not fully resolved in last year's Report were:

- accuracy of user positions in OCS
- segregation of duties matrix
- restore tests from backup media were delayed.

In addition potential improvement opportunities that could be applied by SA Health to further strengthen the effectiveness of certain remediation controls implemented were:

- centralised requisitioning
- OCS training
- enabled responsibilities with no users assigned
- lack of formal process to disable terminated user accounts
- OCS users with a high number of responsibilities
- IT disaster recovery planning
- database accounts with a common password.

In 2013-14 SA Health advised Audit that the only issue yet to be resolved was the establishment of a segregation of duties matrix, which originally had a remediation target date of 30 June 2014. At the time of preparation of this Report Audit understands that user acceptance testing has been completed and this matrix is in the process of being implemented.

The 2014-15 program of audit for OCS will involve confirmation testing of actions implemented to address the functionality and control issues and ICT disaster recovery planning for OCS.

5.7 Concluding comment

The 2012-13 Report indicated that the current approved cost of the three phases of OCS (including Phase 3 – OPS) was $62.44 million (December 2012). This was significantly above the original approved cost of $22.853 million (November 2009).

The December 2012 Cabinet submission indicated that the full Phase 3 rollout was to be completed in the second quarter of the 2014-15 financial year. A recent revised plan has resulted in an extended completion date, with the final group of health units to be implemented in July 2015 and the program to be closed in August 2015.

Whilst the December 2012 approved OCS project cost remains current, a new benefits realisation plan released in June 2014 indicates that since the original business case there is an anticipated reduction of benefits over 10 years of over $30 million. This reflects the adverse impacts of certain matters resulting from OCS implementation delays and significant issues that have arisen concerning the SA Health Distribution Centre Camden Park in supporting the full OCS rollout functionality.

6 Enterprise Patient Administration System program

The EPAS program is another significant ICT development of SA Health. It commenced pilot operation at some health sites during 2013-14. As mentioned in the above commentary concerning the SA Health OCS and OPS program there is an important benefits realisation interrelationship between the program developments from their timely and effective delivery.

6.1 Program background and drivers for development

In April 2007 Cabinet approved a submission for 'Health Reform'. As part of the submission Cabinet endorsed the construction of a new tertiary teaching hospital to replace the Royal Adelaide Hospital (new Royal Adelaide Hospital). It also endorsed an ICT investing program for the Department of Health (now Department for Health and Ageing (SA Health)) of $215 million over 10 years to replace ageing infrastructure and systems with the aim of delivering a state-wide electronic health record.

A key platform of the electronic health record reform process included the introduction of a state-wide EPAS solution.

Key drivers for an EPAS solution[1] included:

- the new Royal Adelaide Hospital (nRAH) was reliant on the EPAS solution being implemented and embedded with reformed clinical workflows and practices by 2016
- avoiding costs and inherent risks associated with maintaining over 70 legacy patient administration systems
- the ability to meet State and national policy and strategic agendas
- the need to support and enable other major SA Health reform initiatives, including the Mental Health reform, Emergency Department reform, State Medical Imaging reform and the SA Pathology reform

[1] EPAS business case approved by Cabinet in December 2011.

- significant ICT investment expenditure had occurred since 2007 by the Government and SA Health to establish the infrastructure and planning necessary for the design and rollout of the EPAS solution, and ultimately the electronic health record.

The current aim of the chosen EPAS software solution (Allscripts) is to provide functionality in patient registration, admission, discharge and transfer, patient billing, waitlist management and patient flow and clinical management. In addition, the Allscripts product is expected to integrate and/or interoperate with other SA Health systems. In particular, the Enterprise Master Patient Index system, OCS, theatre management systems, pharmacy systems and pathology systems.

6.2 Development and implementation approach for Enterprise Patient Administration System

In December 2011 Cabinet approved SA Health to proceed with the implementation of EPAS.

Significant lead up events to the December 2011 approved Cabinet submission involved SA Health's engagement (and subsequent disengagement) of a System Integrator for the EPAS program and the selection of the software solution for the EPAS program. The engagement of the System Integrator and software provider resulted from requests for proposal procurement processes.

In June 2009 the preferred System Integrator was selected and worked with SA Health to procure the EPAS software solution. In November 2010, Allscripts Healthcare Solutions Inc. (Allscripts)[2] was announced as the preferred EPAS software solution provider. In March 2011 SA Health disengaged from the System Integrator arrangement, in assessment of the System Integrator being unable to meet expectations of program deliverables. SA Health determined that Allscripts had relevant expertise with other project management service providers to assist SA Health with the EPAS program delivery.

The December 2011 Cabinet submission approved the Minister for Health and Ageing (responsible Minister) entering into contractual arrangements with Allscripts for the EPAS solution.

As mentioned above, this submission also approved the implementation go-ahead for the EPAS program. The submission, consistent with the attached business case, approved the option of a selective rollout approach to include all metropolitan hospitals, GP Plus centres, Glenside Hospital, SA Ambulance Service Inc metropolitan headquarters (Greenhill Road office) and two general country hospitals (Mount Gambier and Port Augusta). Excluded were other health services based in country locations (hospitals, SA Ambulance Service Inc and community health).[3]

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[2] The software vendor was formerly Eclipsys Corporation.

[3] The original scope of the EPAS rollout is smaller than the legacy Open Architecture Clinical Information system (OACIS) used by various SA Health sites. OACIS provided elements of a state-wide electronic health record in the previous environment. Hence when OACIS is decommissioned at the end of the EPAS rollout some non-EPAS sites will lose their existing health records. Reference: 'Target State Environment - Health Architecture', version 0.2 (dated 5 June 2014).

The approved option sought to minimise the financial impact on South Australia without compromising the clinical integrity of the EPAS solution. This option was preferred over an enterprise-wide approach which would have reached 100% of SA Health staff working in a clinical setting.

The implementation approach proposed for the approved option would consist of the following four phases::

- Phase 1 – Planning (2011)

  This phase included planning in relation to clinical adoption, technical and program management activities as well as the development of the business case and associated TCO model. The results of this phase led to the December 2011 Cabinet submission.

- Phase 2 – Design and build (2012)

  This phase involved tailoring the EPAS solution design to meet SA Health requirements from the pre-configured vendor's solution workflows and clinical content. It also involved the establishment of the technical infrastructure and the testing and validation of the agreed workflows and processes.

- Phase 3 – Implementation (2013-14)

  This phrase, estimated to take 18 months, was to involve the full implementation of EPAS to all in-scope sites.

- Phase 4 – Operationalise (post-2014)

  This phase was to involve the development and implementation of a number of activities to ensure appropriate support in the use of the EPAS solution going forward, such as ongoing training and technical support.

The business case indicated that the approach and rollout schedule was based on commencement in late 2011, with rollout to be completed in mid-2014 at the Royal Adelaide Hospital. A further six month contingency was allowed for any unforeseen delays.

6.3 Audit review

The review of the EPAS development life cycle to date has involved salient aspects relating to the phases for the program.

This has involved the review of matters and documentation regarding:

- Cabinet submissions and approvals
- procurement processes and approvals involving the State Procurement Board and SA Health's Risk Management and Internal Audit division (Internal Audit)
- update reviews provided to Audit by SA Health, including third party specialist reviews and external accounting/audit firm checkpoint and gateway reviews
- program governance documentation, including minutes of the eHealth Steering Committee, EPAS Program Board and Risk Management and Audit Committee.

To clarify the information provided Audit has also related with EPAS program representatives during the various program phases to date.

In addition, the 2013-14 audit program for the local health networks (specifically the Southern Adelaide Local Health Network Incorporated) covered operational control aspects of EPAS as implemented at that site.

6.4 Enterprise Patient Administration System program budget – increased costs and reduced benefits

A submission to Cabinet in November 2010 advised the selection of Allscripts as the preferred EPAS software solution provider and indicated an early estimated total cost for EPAS over 10 years of $220 million (capital cost of $151 million and operating cost of $69 million). The submission emphasised that it was an early estimate and that the total cost for the EPAS initiative over a 10 year period would be defined to a greater level of accuracy during the planning phase of the EPAS program. Cabinet was also informed that one of the deliverables of the planning phase would be a TCO model, which would define the total costs more accurately.

The December 2011 approved Cabinet submission that endorsed the go-ahead for the EPAS program included the completed business case and TCO. As approved by Cabinet the estimated total cost of the EPAS program over a 10 year period was $408 million (capital cost $143 million; operating cost $220 million; risk based contingency $45 million). The business case for EPAS was based on sufficient savings benefits being realised as costs were incurred to enable the EPAS program to become self-funding. SA Health indicated in the submission that the approved EPAS rollout would result in an overall favourable position of $11 million over 10 years.

In the 2011-12 Mid-Year Budget Review the total EPAS program funding was revised to $422 million, with the risk based contingency funding increased to $49 million to cover inflation.

While the EPAS budget currently shows an underspent position relative to the overall allocated budget to date, there has been a significant deterioration in the EPAS budget position relative to EPAS planned health site implementation deliverables.

In February 2014 the responsible Minister advised Cabinet that the program was several months behind the original schedule, with increased costs and a reduction of expected benefits, creating a net financial cost of over $50 million.

In June 2014, a submission by the responsible Minister to the Health Reform Cabinet Committee reiterated that the EPAS program was significantly behind schedule. The submission indicated the design and build phase was 16 months behind the original completion date and still ongoing.

The June 2014 submission also advised that the EPAS program had an unfavourable variance of more than $20 million, based on progress and spend to date. It was estimated that the program would show a significant deterioration in overall finances over 10 years of $87 million, which is in addition to the already budgeted $49 million of contingency funding. This includes a forecast shortfall of benefits totalling approximately $71 million.

The abovementioned submission recommended continuation of the EPAS program with the focus on achieving software solution stability and functionality before further rollout to sites. It also recommended a further submission to Cabinet of an updated program strategy with revised cost and benefit parameters for approval.

Audit has recently noted the Cabinet approved submission of late October 2014 endorsing the revised EPAS program strategy for continued development and rollout of EPAS. Notable features of the submission relate to the following matters:

- EPAS program is to continue on a staged basis with Cabinet approval sought prior to each stage.
- Approved the first stage (new six month phase) of stabilising the solution and system to enable planning for activation at the Royal Adelaide Hospital with a cost budget authority of $28 million.
- Approved the continuation of FTEs at a new cap of 195.5 FTEs for the EPAS program. At November 2014 the FTE level was 167.
- The EPAS program expenditure budget to be transferred from SA Health to the Department of Treasury and Finance and a provision be held by the Department of Treasury and Finance for the completion of the EPAS program.
- Contingency planning for meeting the requirements of the nRAH.

The inception to date expenditure to 30 September 2014 on the EPAS program was $138 million. This cost captures all program costs for the EPAS program. While this represents an underspent position it is significantly over budget relative to progress.

The October 2014 Cabinet submission reiterated earlier advice in June 2014 that the EPAS program has an unfavourable variance of more than $20 million based on progress and spend to date as at the end of May 2014 and indicated a worsening position.

The delay in the EPAS program, reduction in scope (Operating Rooms Information Management System and iPharmacy will not be replaced) and parameter changes (lower medical records staff savings) have led to an estimated loss of benefits at September 2014 of $83 million over a 10 year period.

Audit has been advised that the next submission update to Cabinet is proposed for early 2015 and will provide an informed position on the effectiveness of the stabilisation strategy and information on EPAS program costs/benefits.

It is further understood that sites and Local Health Networks are responsible for other costs not incorporated within the EPAS budget. This includes workstations to access EPAS, printers, network and power cabling and increased staffing resources required through the activation lead-up and go-live event.

6.5 Enterprise Patient Administration System rollout approach – delays experienced

As previously mentioned the December 2011 EPAS business case scoped the rollout of the selected EPAS product to include all metropolitan hospitals, GP Plus centres, Glenside

Hospital, SA Ambulance Service Inc metropolitan headquarters (Greenhill Road office) and two general country hospitals (Mount Gambier and Port Augusta).

Despite the business case indicating that the rollout was to be completed in mid-2014, with a further six month contingency, the EPAS program has yet to attempt implementation at a large site. To date, the EPAS rollout has been limited to the following sites:

- Noarlunga Hospital and Noarlunga GP Plus Super Clinic (25 August 2013)
- Aldinga, Morphett Vale and Seaford GP Plus Health Care Centres (18 November 2013)
- SA Ambulance Service Inc metropolitan headquarters (20 November 2013)
- Daw House at the Repatriation General Hospital (1 December 2013)
- Port Augusta Hospital (15 December 2013)
- Repatriation General Hospital (4 April 2014).

As previously conveyed, the June 2014 submission by the responsible Minister to the Health Reform Cabinet Committee indicated that the completion of the design and build phase was at the time 16 months behind the original completion date and still not finalised.[4] Activations at individual sites had also taken longer than planned.

As a consequence of the delays and also critical functional issues (discussed in section 6.6 of this Report), the June 2014 submission to the Health Reform Cabinet Committee, and a further submission in August 2014 to the Committee, outlined the following four potential options for consideration:

1. Stop – stop the implementation leaving EPAS only at those sites activated to date.
2. Cancel – remove EPAS entirely, including reversing it from activated sites, reverting back to legacy systems and proceed to replace legacy systems.
3. Continue implementation – continue to implement EPAS across all sites consistent with the original Cabinet approval.
4. Stabilise and relaunch (SA Health's preferred option) – delay further implementation of EPAS until functional deficiencies are resolved and the system build complete, at which time restart site implementations.

Each option had its own risks and associated funding requirements.

Audit has noted that the submission to Cabinet in late October 2014 approved option 4 – to pause the rollout of EPAS. In effect this has created an additional phase to the overall program (Phase 5 – Stabilisation).

[4] The October 2014 Cabinet submission has stated that the design and build phase is now 19 months behind the original completion date.

This stabilisation phase aims to resolve key functional issues, including for the Allscripts solution, which is regarded as a reliable technology solution. SA Health has pointed to addressing some functionality required for sustainability in a large hospital site as opposed to smaller sites.

During the stabilisation phase the program will undertake the following six critical work streams:

1. Product and system remediation of known issues, especially for the patient administration and billing modules.

2. Develop a fit for purpose solution, including to meet some additional functionality.

3. Standardise workflows and organisational change.

4. Update the training approach.

5. Business as usual to support the current sites that have implemented EPAS.

6. Planning for post-December 2014. Should the EPAS product and system be appropriately stabilised the priority site for the next activation will be the nRAH which opens in 2016.

In addition to these six streams SA Health is planning contingency options for the nRAH in the event that EPAS is not ready to deliver its requirements.

This new phase was initially anticipated to be completed by the end of December 2014 but is now not expected to be finalised until February 2015. This delay is due to a number of factors, including recent software upgrades taking longer to settle, a further software upgrade to be put into production in early 2015 and the planning process required to align with the decision to activate the EPAS solution at the nRAH.

In the expectation of a reactivation of the rollout of EPAS, it is anticipated that the rollout of the EPAS solution to all in-scope sites will now not be completed until well into 2017 and will require greater levels of staffing than originally estimated.

As mentioned previously, the new implementation strategy for the EPAS program will now continue on a staged basis, with Cabinet approval sought prior to each stage. This includes a further submission expected to be presented to Cabinet in early 2015.

6.6 Enterprise Patient Administration System functionality – deficiencies restrict implementation progress

SA Health has communicated that the current implementation of EPAS has brought some benefits to date for the implemented sites. Some of the illustrative examples advised by SA Health are described below:

- Continuity of patient information across EPAS activated sites has provided clinicians with timely access to patient information that would have previously been held at an individual site in a paper record, thus improving patient care.

- Alerts have been built into the EPAS solution for appropriate drug dosing, drug-drug interactions and drug allergies to help doctors prescribe safely. Audit has been advised that to date there have been over 11 400 such alerts displayed by the EPAS solution, potentially avoiding a medication being prescribed inappropriately or for patients who are allergic to the drug being prescribed. The types of alerts for clinicians include 5800 alerts related to patient allergies and 5600 alerts related to medication dosage or drug interaction.
- Provision of real time clinical information that will assist in monitoring the progress and movement of patients, providing protocols for care, capturing and presenting problem and diagnostic information, and alerting staff members when waiting times exceed target.
- Multiple users now having access to the one clinical record and being able to review patient information simultaneously, allowing for improved efficiency and better access to patients' clinical information.

Despite these benefits the EPAS program has experienced significant challenges and problems, such as functional issues with the EPAS Sunrise Financial Module and the patient administration module of the Sunrise Clinical Module.

As at October 2014, the EPAS program has confirmed that there have been 4833 defects raised from across the solution once implementation commenced. This includes, for example, the Sunrise Records Manager, Sunrise Clinical Manager and Patient Flow elements of the EPAS solution. Of the total defects to the end of October 2014, 338 are open, with 4495 closed.

A post go-live assessment at the first activation site concluded that 'It is now clear that the PAS functionality is not sufficient to meet SA Health's requirements and staff are experiencing considerable frustration in trying to use the new functionality'.[5]

Audit also notes that the Heads of Units for the Department of Surgery at the Repatriation General Hospital raised a number of concerns to both SA Health and the responsible Minister in September 2014. Audit understands that comments and concerns were raised regarding the EPAS system interface, issues with scanning documents, clinical drawing in the EPAS solution and the storage of photos. SA Health's formal response, also provided to Audit, indicates remediation activities are occurring. This includes, for example, investigating the development of new options for clinical drawing and the storage of photos.

In relation to billing functionality, the EPAS program experienced delay in the delivery of some critical elements of the billing module from December 2012 and continuous software functionality deficiencies. Audit was advised that SA Health needs to manually perform transactional level reconciliation to validate and/or correct billing data transferred from EPAS to OCS at the Noarlunga Hospital and Repatriation General Hospital sites. This was a result of factors such as EPAS data validation deficiencies at the point of service (registration), incorrect billing of patients staying over 35 days and some hospital sections/units unable to adequately transfer charges into the EPAS Sunrise Financial Module. My 2013-14 Annual Report included comment on EPAS billing functionality issues that impacted on the Southern Adelaide Local Health Network Incorporated revenue raising.

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[5] External accounting/audit firm review 'Gateway 3: Post Go-Live Assessment for Noarlunga Hospital and GP Plus Super Clinic (NHS)' dated 7 November 2013.

In summing up the EPAS functional issues, the June 2014 submission by the responsible Minister to the Health Reform Cabinet Committee indicated that although the functional shortcomings experienced at the current sites can be overcome by workarounds the workaround effort at a large site, such as the Royal Adelaide Hospital, would be unacceptable.

To help resolve these issues the EPAS program and Allscripts have been identifying and designing options to solve the critical issues during the stabilisation phase. As part of this process a software upgrade of the EPAS solution (release 14.2) was delivered to SA Health by Allscripts in mid-2014. After testing this release was deployed in October 2014.

At the time of the preparation of this Report Audit understands a further software upgrade (release 14.3) is due for release imminently and is expected to be received by mid-December 2014 at the latest.

Despite this stabilisation progress not all EPAS functionality originally planned has been delivered and there are also a number of solution configuration changes still to be completed. To address this issue Audit understands that the EPAS program is working with Allscripts to develop a product release timeline to address all critical functionality and provide outstanding enhancements.

6.7 Risks to the new Royal Adelaide Hospital

The EPAS solution has a critical inter-relationship with the current design of the nRAH, which has influenced its physical design, proposed workflows and equipment selection.

SA Health recognises that, from an operational perspective, if EPAS was not rolled out to the nRAH the current impact on the proposed model of care of not having an integrated electronic system is unknown. Any alternative solution is expected to require modified processes and manual workarounds. As the nRAH is physically designed to have minimal storage and use of paper records due to the proposed functionality of EPAS, a solution for central paper record storage at clinics and wards and daily transport of paper records will be required.

The delay in the EPAS program presents a heightened risk that EPAS functionality will not be fully ready for rollout to the nRAH.

Given the importance of this matter, Audit has been advised that the EPAS program is working closely with the Central Adelaide Local Health Network Incorporated (CALHN) Activation Team and the nRAH ICT Project to undertake planning for the nRAH.

Particular to this, two discrete areas have been identified around the establishment of an integrated test environment. This test environment includes all of the technical integration components between EPAS and the nRAH, and clinical workflows that need to be developed and standardised across CALHN to support the implementation of the EPAS solution at the new site.

Audit has been further advised that there is a joint decision point planned in early 2015 for the EPAS program and CALHN to make a determination as to what EPAS functionality will be available and ready to implement at the nRAH.

In parallel, the EPAS program is working with Allscripts to develop a product release timeline to address any critical functionality as a priority, and to define an earlier date for delivery of product functionality to SA Health to inform this decision point.

6.8 Procurement concerns raised

During the EPAS program certain procurement practices of the program have been examined and reported on by the State Procurement Board and SA Health Internal Audit.

The reviews have covered the following matters and raised certain process concerns that required addressing by SA Health:

- The State Procurement Board initiated two reviews of the System Integrator and the software solution procurement processes and the subsequent determination by SA Health to disengage from the System Integrator arrangement and bring integration services in-house. It is noted that while the State Procurement Board was satisfied overall with those procurements, the Board considered it had not been engaged by SA Health at the earliest point in the overall conduct of the major procurement process strategies.

- The State Procurement Board and SA Health Internal Audit undertook detailed reviews of aspects of procurement processes and arrangements relating to a principal project management service provider to the EPAS program. The reviews also took into consideration issues raised from an external source.

The reviews identified a number of deficiencies concerning the procurement arrangements for the principal project management service provider and more generally.

Notable issues arising from the reviews included:

- no formal procurement strategy and associated plan had been developed for the EPAS program

- the Procurement and Contract Management System did not contain complete information for EPAS procurements and had not been fully updated

- no probity reviews had been performed since the initial selection processes for the System Integrator and Allscripts

- instances of non-compliance with State Procurement Board and SA Health procurement policies and procedures

- occurrences of late procurement and contracting approvals

- less direct negotiation and more market testing for procurements should have occurred

- deficiencies were identified in billing and contract expenditure management.

Given the seriousness of the reported matters, SA Health has made changes to procurement processes, including updating procurement policies and practices, appointing a Probity Advisor and the strengthening of approval requirements. In addition, Audit understands that

all managers within eHealth Systems Division and the EPAS program with procurement responsibilities have since completed a series of training courses from the State Procurement Board based on a curriculum recommended by the Probity Advisor.

Audit has also noted that procurement process and practice is to continue to receive focused attention within the 2014-15 SA Health Internal Audit annual program of coverage.

6.9 Reasons for Enterprise Patient Administration System program issues and delays

The achievement of the estimated EPAS program costs/benefits and rollout timeframes as provided in the December 2011 approved Cabinet submission are based on the validity of initial program assumptions/dependencies.

Certain actions were taken by SA Health to both develop and test the firmness of the business case and TCO that were provided with the December 2011 Cabinet submission. These include the following matters:

- The establishment of a pre-production environment in 2011 to better examine the EPAS product, identify gaps, assist with the development of the TCO and facilitate organisational and clinical engagement by enabling demonstrations and road shows of the product to be held.
- Formal communication with Allscripts regarding their opinion on whether the EPAS program was adequately staffed and the proposed implementation schedule.
- Engagement of a senior international executive with experience in EPAS rollouts to review SA Health's proposed EPAS implementation approach to ensure that the approach was feasible and comprehensive.
- Engagement of an external accounting/audit firm to perform a review of the TCO model.

While these actions taken were positive Audit considers that the EPAS program did not fully analyse or address in a timely manner certain important matters or implications identified from these actions to optimise quality project implementation assurance and management going forward.

For example, the pre-production environment was not optimised to effectively validate the technical design assumptions of EPAS monitors (ie clinical usability) and integration options for certain system modules, such as patient billing. This was identified as important at the time of establishing the environment.

While the senior international executive considered the EPAS program comprehensive and a well thought out plan to guide the EPAS solution product across SA Health, certain issues were raised for particular attention that were not subsequently addressed in an effective manner. For example, it was considered a critical dependency for the program that all workstations and peripheral devices, interfaces etc be tested prior to go-live, and that particular attention be given to the area of effectively addressing clinical workflows and documents.

Another matter related to the review of the TCO by the external accounting/audit firm. While Cabinet was informed that the costs and assumptions within the TCO were subject to validation the report of the external accounting/audit firm indicated that the validity of assumptions was outside the scope of their review procedures. As such, the EPAS program should have focused more intensely on EPAS progress relative to the assumptions.

As was later noted in the checkpoint and gateway reviews undertaken by another external accounting/audit firm, problems emerged with peripheral devices, clinical workflows and EPAS functionality that have delayed the EPAS program.

Other notable matters of comment in the reviews undertaken by the external accounting/audit firms that have influenced the timeliness and quality of progress of the EPAS program concern program leadership and test management of the EPAS product.

While the EPAS organisational structure provided for a Program Director position, as well as a Business Change Director position, a suitably qualified Program Director was not appointed until February 2014. SA Health advised that it experienced difficulty over several months in recruiting a suitably qualified Program Director.

Audit also noted that a rigorous test and defect management process developed over time rather than at an early stage of the EPAS program. Financial and performance metric reporting for the EPAS program was also subject to change and improvement over time.

In again emphasising the importance of optimising in a timely manner issue identification arising from program assurance reviews, SA Health has conveyed that it is common practice for the EPAS program to document detailed responses for findings and/or recommendations from reviews, to ensure any benefits and lessons learned are incorporated into current planning and activation lessons. Audit acknowledges that this has occurred but may not have been effective early in the program.

It has been noted that the approved Cabinet submission of late October 2014 cites in an apt and transparent manner certain reasons for the difficulties confronting the EPAS program. These are briefly described below:

- inexperience in system-wide ICT and business reform across 27 000 staff and insufficient resource/integrated program planning in earlier phases of the program
- system functionality and stability issues with the patient administration and billing modules
- underestimating the extent of change in work practices in health settings
- the initial planning presumed that the product supplied by the vendor would be mature, stable and meet the functional requirements specified by SA Health. However, there has been late delivery of billing functionality from the vendor, Allscripts and the need for significant rework of components for the Australian context and requirements
- unplanned changes in scope and system functionality
- original estimates of time and effort to implement EPAS at sites were too low.

Audit notes that the critical work streams that comprise the implemented stabilisation phase for the EPAS program are directed to addressing the causes and issues for the delay. In addition, recent communication from SA Health has advised that the program governance has been revisited to further strengthen the EPAS Program Board and involvement of key stakeholders who have a vested interest in the EPAS solution.

The EPAS Program Board membership has changed to include an independent member, representatives from the Department of Treasury and Finance and the Office of the Chief Information Officer, and Local Health Network Chief Executive Officers of the current live EPAS sites and proposed next rollout site, as key contributors.

6.10 Contractual arrangements with Allscripts

As reported in note 37 to the 2013-14 financial statements for the Department for Health and Ageing, it was disclosed that SA Health had initiated a claim against Allscripts.

This claim relates to delay costs arising from the late delivery of the billing system module of the software. In addition, the note indicated that discussions are occurring between SA Health and Allscripts to find a mutually agreeable solution which will not impact on the project and protect the interests of both parties.

At the time of preparation of this Report Audit are liaising with key SA Health representatives to further understand the current status of these negotiations and any potential implications to the overall program budget.

6.11 Concluding comment

The December 2011 Cabinet submission that endorsed the go-ahead for the EPAS program approved the estimated total cost of the program over a 10 year period at $408 million. The business case supporting the estimated cost was based on sufficient savings benefits being realised as costs were occurred to enable the EPAS program to become self-funding. SA Health indicated in the submission that the approved EPAS rollout would result in an overall favourable position of $11 million over 10 years. The EPAS program funding was revised upwards to $422 million in the 2011-12 Mid-Year Budget Review.

In 2013-14 the rollout of EPAS has been limited to a very small number of health sites.

The EPAS program is confronting and addressing significant problems, involving critical system functional deficiencies, implementation delays, financial cost escalation and loss of benefits. The rollout of the program has been recently suspended in order to stabilise the program and focus on readiness of implementation for the nRAH. There is a critical inter-relationship of EPAS with the design and operation of the nRAH.

The reasons and concerns for the EPAS program problems and delays are discussed in section 6.9 of this Report.

In October 2014 a submission to Cabinet reiterated early advice provided in June 2014 that the EPAS program had an unfavourable variance of more than $20 million based on progress and spend to date as at the end of May 2014 and indicated a worsening position. In June 2014 it was estimated that the program would show a significant deterioration in overall finances

over 10 years of $87 million, which is in addition to the already budgeted $49 million of contingency funding. This included a forecast shortfall of benefits totalling approximately $71 million. At September 2014 the loss of benefits was estimated at $83 million over a 10 year period.

7 Taxation revenue management system project

Initial audit comment on this Department of Treasury and Finance (DTF) system project known as RISTEC was made in the 2005-06 Annual Report with updates provided in a number of subsequent Reports to Parliament.

7.1 Project background

The RISTEC project has been developing and implementing a replacement integrated taxation system to replace existing legacy systems. The legacy taxation systems have been in operation for about 20 years.

7.2 Recap of key project developments before 2013-14

The salient matters communicated in previous Reports concerning changes in project costs/benefits and proposed deliverables are outlined below.

Project costs/benefits

- In July 2002 Cabinet approved the allocation of $22.6 million over four years for the completion of the RISTEC project.
- In May 2008 Cabinet approved an increased cost of $45.5 million with anticipated implementation from 2010 to 2011.
- An update to Cabinet in December 2008 advised an overall cost of $44.3 million with full implementation of the system by September 2011. The submission also identified a delay in achievement of revenue/taxation benefits of $15 million.
- In July 2012 Cabinet was informed that the revised estimated cost of the project was $48.8 million.
- The 2012-13 Report indicated that the estimated project cost was $52.9 million which included $2.4 million for new government initiatives that were not part of the initial project cost to replace legacy systems.

Project implementation problems

- The RISTEC development and implementation involved two stages: Stage 1 (Design) and Stage 2 (Build, test and deploy). Stage 2 comprised the following proposed component releases:
  - Release 1: base SAP system and payroll tax
  - Release 2: land tax and emergency service levy
  - Release 3: stamp duty and sundry taxes.

- There have been a number of extensions from the December 2008 proposed full implementation target date of September 2011 for the Stage 2 component releases.

  Release 1 was long overdue but implemented in June 2012. The 2012-13 Report indicated that the go-live dates for Releases 2 and 3 have again been extended to July 2014 and late 2014 respectively.

- The previous Reports have provided comments on issues that have arisen during project system development that have delayed its proposed deliverables. These have involved the following matters:

  — There was a change in implementation partner in the latter part of 2008.

  — In 2009-10 intellectual property from an interstate taxation revenue office was unavailable and a lack of required functionality was experienced with the new SAP Pty Ltd Taxpayer Online Services System (SAP).

  — The project has experienced a high number of system functionality defects and weak defect management and compliance processes.

  — Delays have been experienced in completion of user acceptance testing.

  — There have been ongoing problems with the contracted system implementer regarding agreed timeframes, planning and design revision, system functionality and user acceptance testing.

- Independent health check and project assurance observations provided by an external independent party during the project has made reference to some of these matters and indicated clearer project governance and more robust vendor oversight may have reduced the impact of some of the issues experienced by the project.

7.3 2013-14 project developments and current status

Last year's Report mentioned Audit's review of Release 1, the updated project rollout schedule of Release 2 and Release 3, amended project costs and the status of defect remediation. The Report also indicated that DTF, with Crown Solicitor advice, was addressing certain problems of a serious nature in a formal and detailed manner with the system implementer.

The following provides an update on the project status.

7.3.1 Release 1 remediation of matters since implementation

In 2012-13, Audit undertook a review of the production controls for Release 1 following go-live in June 2012.

While the review noted some positive controls for Release 1, it highlighted a number of deficiencies that required management attention. These included deficiencies access function segregation, application security patching, log monitoring and system reporting. There was also a need to progress system and procedural documentation, perform an internal security assessment and strengthen SAP password configuration controls. DTF responded to the issues with detailed remediation plans. In addition Audit indicated the need for DTF to ensure adequate internal audit review coverage of Release 1 operations.

Audit follow-up of remedial status identified that a number of deficiencies are not expected to be fully resolved before mid or late 2015. DTF advised, however, planned internal audit coverage of Release 1 operations for 2014-15.

7.3.2 Release 2 deferment

Last year's Report indicated that the go-live date for Release 2 had been deferred from July 2013 to July 2014.

Since last year's update the rollout of Release 2 has been further deferred to July 2015. This has been principally due to delays in user acceptance testing preparation and execution and the development of key business and project documentation.

In November 2014 DTF provided Audit with the Release 2 milestone plan outlining key deliverables including critical path and data migration strategies to assist in achieving go-live.

Whilst there has been continual rollout slippage with Release 2, DTF has advised that this has not resulted in a substantial increase in the level of risk for the Land Services Business Reform Program (LSBRP) as it relates to RISTEC and RevenueSA. The Department of Planning, Transport and Infrastructure's LSBRP aims to replace the core legacy land administration system. Both RISTEC and LSBRP are expected to interface and exchange data when fully operational.

Furthermore, Release 2 test script and scenario writing is behind target by over 1000 scripts. Whilst this was initially scheduled to take 15 days, it is now likely to take 90 days. The proposed mitigation strategy associated with the under estimation of testing of test scripts/business rules is now focusing on 'business as usual occurrences' rather than 'exception based reporting'. The consequences of the revisited testing regime will need to be closely reviewed so as to ensure that testing does not place pressure upon the revised go-live date for Release 2.

7.3.3 Release 3 abandonment and de-scoping

As reported last year, whilst the initial Release 3 go-live date was planned to occur from late 2013, it has now been ceased and removed from the RISTEC project scope. DTF has advised that a Release 3 alternate solution will be considered in 2014-15 and is dependent on available funding.

In the interim, due to the removal of Release 3 from the RISTEC project, the processing of stamp duties and sundry taxes will continue to be administrated within legacy systems.

DTF has also confirmed that proposed data analysis which was planned for inclusion within Release 3 has also been removed from the current RISTEC project scope. DTF has advised this was attributed to the unforseen complexity of Release 3 components and subsequent removal of Release 3 from the RISTEC project.

In recognition of the removal of Release 3 from the RISTEC project, DTF expensed capitalised costs of $4.5 million for Release 3 in its financial statements for the year ended 30 June 2014.

7.3.4 Project cost/benefits

As described above there have been significant changes to the RISTEC project since the last information update to Cabinet in 2012. The changes, including the scope and deliverables (cessation of Release 3) and delays in implementation timeframes that have impacted significantly on the cost and benefits of the project.

DTF has advised that the project budget to date is $54.1 million and project expenditure to the end of September 2014 is $48.06 million.

The last update of this project development to Cabinet was in July 2012. It is considered that the significant changes in the project as envisaged, including the abandonment of Release 3 with consideration of an alternative solution, warrants the preparation of a detailed update on the project and future direction (with an updated/new business case) for submission to Cabinet. The update should also provide the position status of the contractual and commercial arrangements between DTF and the system implementer.

7.4 Concluding comment

The problems and concerns reported for the RISTEC project in achieving proposed functionality and deliverables to replace legacy systems worsened in 2013-14.

The project budget was to achieve various tax component functionality through three system releases. Whilst $48.06 million of the project budget to date of $54.1 million has been spent, only Release 1 is in operation (from July 2012). Release 2 operation has been further deferred (to July 2015) and Release 3 has been abandoned with a $4.5 million write-off of capitalised development costs.

As a consequence, the project development has significantly fallen short of achieving planned deliverables with ongoing costs and loss of benefits of ongoing use of legacy systems and the attendant continuity risks for those systems. It is noted that the last update to Cabinet on the project development was in July 2012. Due to the significant change in the characteristics of this project development, consideration should be given to providing Cabinet with a detailed update on the current position status and future direction of the project.

8 Concessions and Seniors Information System development

From 2009-10, specific comment has been made in each Annual Report on the anticipated implementation of CASIS by the Department for Communities and Social Inclusion (DCSI).

8.1 Project background

This system is significant for the effective management and financial control of service providers and eligible customer concessions by DCSI.

In April 2009 DCSI approved the engagement of a system developer at a development cost of $600 000 for planned implementation in 2009-10. As documented by DCSI, due to certain factors (including prolonged illness of an experienced programmer, lack of suitable back-up and complexity of concession business rules), the development timeline was not achieved.

8.2 Recap of key developments before 2013-14

DCSI approved the continuing engagement of the system developer in 2012 to complete the development and implementation of the system to manage concessions as required until December 2013 at a revised cost of $3.72 million.

Last year's Report indicated that the system developer went into administration and was being liquidated and other procurement and contractual arrangements were being pursued to achieve completion of the system development. The Report also conveyed that a two phased implementation of the system would commence in October 2013 involving major concession components with remaining functionality implemented by the end of December 2013. The implementation of complete functionality was estimated at $4.49 million.

The two phases of CASIS involved:

- Phase 1 – components of transport concession card, energy concessions, water concession, sewerage concession and council rates.
- Phase 2 – incorporates a number of stand alone and legacy client systems into CASIS and comprises components of medical heating and cooling concessions, personal alerts rebates scheme, retirement villages and residential parks concessions, funeral assistance and spectacles scheme.

8.3 Project status to date

The transport concession card component of Phase 1 system implementation went live in October 2013. Other components of Phase 1 were expected to go live in September 2014 but this has not eventuated.

DCSI has advised Audit that it has had to address a number of issues identified in user acceptance testing and, subject to satisfactory testing and negotiation with partners like the South Australian Water Corporation regarding changeover to the new system, the other components of Phase 1 will progress to final implementation.

DCSI has also advised that Phase 2 will not proceed as DCSI is now reviewing the administration of concessions to allow for the development of a proposed single concession payment for implementation on 1 July 2015. As a result the existing concessions in Phase 2 will be administered by the current systems.

A recent high level assessment of Phase 1 development undertaken by an external consultant commissioned by DCSI noted that:

- there were some minor elements of the system's design that had not been defined
- the project appeared to be in multiple stages of design development and testing which is an indication that the project has not been delivered in a controlled manner
- no project schedule is being used to track progress between DCSI and the vendor
- there was a lack of adequate supporting documentation

- there were still a large number of open issues that needed to be completed in order to finalise the system.

The high level assessment indicated that the earliest go-live timeframe would likely to be December 2014 but that the achievement of this date was uncertain.

In relation to overall project cost, Audit was informed that the total cost to date as at 31 October 2014 for system development and support, change management, hosting and licensing is $6.29 million.

8.4 Concession eligibility

Concurrent with the development of CASIS, DCSI has undertaken with concession providers certain review work on concession eligibility. The review work has covered energy concessions and water and sewerage concessions.

The review work has identified ineligible energy concession overpayments through comparison of energy retailer records and DCSI records. As at 30 September 2014, it was determined that the extent of overpayments was approximately $312 000 for about 570 ineligible customers. The recovery of overpayments is being sought through the energy concession providers. DCSI is waiting on further information from energy retailers about a further 2450 customers to determine the extent of any overpayment. DCSI has also advised that concessions have been stopped for customers who have been found to be ineligible or who have not responded to requests about their eligibility status.

8.5 Concluding comment

This system was approved for development and implementation in 2009-10 at a cost of $600 000. Whilst the total cost of the system as at 30 October 2014 is $6.29 million, only partial concession functionality has been achieved to that originally envisaged. Indeed in 2013-14 it was decided to abandon Phase 2 of a two phased development approach to the implementation of various concession components.

This is another example of a project development that has significantly fallen short of achieving planned deliverables aimed at significantly enhancing administrative effectiveness and control of concessions.