

# First Byte: Consortium IT Contracting in the Western Australian Public Sector

Report 12 – December 2001

## Background

As part of the competitive tendering and contracting program, two large consortium IT contracts were let by the then government in the mid-1990s. These were the BDMW (Building Management Authority, Department of Land Administration, Main Roads Western Australia and the Water Corporation) and BIPAC (Business Information Processing Agencies Consortium) contracts.

Expenditure on the BDMW and BIPAC contracts was around \$36 million last year and has totalled some \$105 million since they commenced. They support significant agency systems, such as the State's electoral, land titles and taxation collection systems.

As both contracts are due to expire towards the end of 2002 (though some BIPAC agencies have extended to 2003), the Department of Industry and Technology has been developing a new approach to IT contracting known as SPIRIT.

## What the examination found...

- Only two of the six agencies examined collected independent data to monitor service level performance and only one of these collected independent data both before and after the contract commenced to enable an assessment to be made of whether service levels have improved.
- None of the agencies examined can demonstrate whether the expected cost savings have been achieved. From the data collected by this review, payments to the contractor have exceeded estimates in the original business cases by \$1.8 million for BIPAC and \$1.7 million for BDMW for these agencies during the period examined.
- The contracts did provide more opportunities for the private sector but the other two objectives of 'greater flexibility in acquiring new technology and staff skills and 'developing a competitive IT market place in Western Australia' were not capable of objective measurement.
- For BIPAC the whole-of-government objective of winding down the government's Bureau Services was achieved. However, the contract was less successful in attracting a competitor for the then contractor under the BDMW contract as while it was successful initially, through a series of company takeovers, CSC is now the sole contractor under both contracts.
- The procurement and transition processes for both contracts were handled in a systematic and thorough way and were well documented. However, management of the contracts has been less effective since the contractors commenced.
- Risk was generally well managed during the procurement process. However, some important government systems are at risk because of inadequate disaster recovery arrangements in some agencies. Moreover, agencies have failed to ensure the continuation of confidentiality agreements for the contractor's staff, putting at risk valuable commercial and personal data.



## Office of the Auditor General Western Australia

### What the examination recommended...

Key recommendations made in the report are that:

- to enable contract evaluation, the objectives must be clearly targeted outcomes and worded so as to be easily measurable. In addition, agencies need to establish systems which enable them to collect data on the full costs of the contracts and independent data on performance.
  - to enable maximum benefits to be achieved:
    - the contracts need to contain provisions which ensure that agencies have a clear mandate to validate charges, invoices and data for performance measures;
    - agencies should have designated managers for the contracts with appropriate experience, skills and training as well as the authority and executive support to actively manage the contracts;
- the Department of Industry and Technology must more actively support agencies in the management of the contracts including establishing specialist contract management advice units and developing IT contract management training programs;
- to plan for, and manage, risk effectively agencies need to ensure that proper risk assessments are undertaken, fully tested disaster recovery processes are put into place and that contractors comply fully with any confidentiality requirements.
- in developing SPIRIT, the Department of Industry and Technology needs to ensure that the report's recommendations are fully taken into account.