For discussion
on 14 May 2007

Legislative Council Panel on
Information Technology and Broadcasting

Report on Project Governance and Results

Introduction

This paper briefs Members on the progress of project governance in Government since its introduction in April 2006 and reports the results of implementation in the first year.

Background

2.   The Government invests up to $2 billion each year on administrative IT projects.[1]   Of this amount, small projects, each costing from $150,001 up to $10 million, reflect about $500 million a year.   These small projects are funded through a block vote which the Office of Government Chief Information Officer (OGCIO) administers.[2]   More substantial funding applies to major projects which is secured directly by bureaus/departments (B/Ds). These amounts exclude projects from the Hospital Authority, Housing Authority and trading fund departments as well as General Revenue Account funds for use of IT in schools.

3.   The Government has adopted the policy of devolving management responsibilities for IT projects to B/Ds since 2001.   More than 90% of IT projects in the Government are now implemented through out-sourcing services.

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[1] Administrative IT projects are funded under Capital Works Reserve Fund (CWRF) Head 710 Computerisation.
[2] The block vote is under Head 710 Subhead A007GX New administrative computer systems.

4.   At the centre, OGCIO is responsible for coordinating the capital funding for all new administrative IT projects, monitoring the progress of project implementation and expenditure, and ensuring the delivery of anticipated benefits on full implementation of these projects.

Project Performance

5.   There were 492 on-going projects during the fiscal year 2006/07 with a total value of about $6,884 million. Of these, 465 were small (block vote) projects costing $2,206 million, and 27 were major projects costing $4,678 million.

6.   Some performance observations would be:

(i)   49 (or about 10%) of these projects amounting to a total value of about $3,867 million were experiencing slippages of which 30 had delays exceeding 6 months;

(ii)   small (block vote) projects were on schedule for 93% of their cases;

(iii) major projects were delayed in 67% of their cases reflecting almost 80% of the major project investment.

A summary table showing the project slippages by duration and value is given in Annex 1.

Actions Taken by OGCIO

7.   Given the difficulties in monitoring projects, major projects in particular, the role of OGCIO in the governance of IT projects was strengthened in April 2006. This was achieved by playing a more proactive and visible role in large scale, complex and high-risk projects for which head of B/Ds retain their management responsibilities.

8.   The series of strengthening measures introduced since April 2006 include:

(i)   Project risk profile assessment for early identification of risks relating to the cost, scale and complexity, risks and public relations impact of the project;

(ii)   A three-tier governance mechanism for senior officers of OGCIO to participate in the project steering committee of high risk projects based on the result of project risk profile assessment as government IT advisor to review the project organization, progress against major milestones, and provide management advice where applicable on the technical and industrial aspects of the relevant tenders and contracts for the projects; and

(iii)   A regular reporting mechanism for OGCIO to monitor the health status of all projects report quarterly and to require projects identified to have health issues, i.e. experiencing significant delays in achieving the major milestones, to report progress more frequently to OGCIO for timely advice.

Results of Enhanced Governance

9.   The risk profile assessment as part of the funding process revealed that some of the new projects, particularly those major projects, suffered from the following inadequacies at the project planning stage:

(i)   lack of awareness for enhanced change management mechanism and/or additional staff resources to cater for major business transformation;

(ii)   insufficient measures to manage user expectations; and

(iii)   idealistic project plans with insufficient contingency, particularly with regard to activities involving third parties such as procurement.

10.   Analysis of progress reports showed that three aspects made up the main causes of the slippages: procurement management, requirement management, and contractor performance management, during the project

implementation life cycle.

11.   Most of the major projects (67% in number and $3,738 million in value) had encountered slippage because of their complex business and technical requirements, straining tendering exercises, tight timeframe for implementation, and the business transformation that comes with the new system. The visibility of senior officers' commitment to project as sponsors could play a very effective role in containing the slippage. In comparison, projects rarely delayed due to IT problems alone. Details of the 18 projects suffering from slippages are given in Annex 2.

12.   93% of small (block vote) projects had no difficulties to progress as planned. B/Ds are capable to manage small (block vote) projects requiring minimal assistance from OGCIO under the project governance mechanism.

13.   The senior officers of OGCIO are now participating in six complex major projects[3] as Government IT advisor in the respective project steering committee.   Of these projects, three projects have or will be resumed after termination of the previous contracts.

Outlook

14.   OGCIO believes in the value of the enhanced project governance mechanism as a standing arrangement to assist B/Ds in the smooth implementation of IT projects, especially in small (block vote) projects.   With the experience gained in the last 12 months, we have devised measures to reduce the inadequacies mentioned in paragraph 9 with an additional review cycle after the project risk profile assessment process to ensure mitigation advices are properly attended to in the implementation plan in all major projects.

15.   In addition, good level of competency in project management will be essential.   During 2006-07, a total of 15 project management related courses

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[3] (1) Government Financial Management Information System (GFMIS) of the Treasury,   (2)&(3) Transport Information System (TIS) and Vehicle And driver Licensing Data System IV (VALID IV) of TD, (4) Client Information System (CIS) of SWD, (5) Customer Care & Billing System (CCBS) of WSD, (6) Communicable Disease Information System (CDIS) of DH,

including customized ones were arranged for 240 staff including user managers and IT managers in B/Ds. To sustain the on-going improvement of B/Ds knowledge in project management, OGCIO will continue to organize project management training and facilitate experiences sharing and continuous learning among the B/Ds.

Office of the Government Chief Information Officer
Commerce, Industry and Technology Bureau
May 2007

Summary Table of Project Slippages

	No. of Projects			Project Value
	Small (Block Vote) (=<$10M)	**Major** (>$10M)	**Total**	
Overall				
Total no. (a)	465 (95%)	27 (5%)	492 (100%)	
Total value (b)	$2,206M (32%)	$4,678M (68%)		$6,884M (100%)
Projects with slippage				
1 - 6 Months	13	6	19	$2,275M (59%)
7 - 12 Months	9	3	12	$279M (7%)
> 12 Months	9	9	18	$1,313M (34%)
Total no. (c)	31 (63%)	18 (37%)	49 (100%)	
Total value (d)	$129M (3%)	$3,738M (97%)		$3,867M (100%)
Ratio of Slippage				
No. (c/a)	7%	67%		
Value (d/b)	6%	80%		

S/N	B/D	Project Description	Project Value ($M)	Approved Live-run Date	Duration of Slippage (month)			Cause of Slippage (A) Procurement Management (B) Requirement Management (C) Contractor Performance Management			Status as at 30 April 2007
					1-6	7-12	> 12	(A)	(B)	(C)	
1	ArchSD (A016XC)	Enhancement of Automated Communication, Technical Information and Operations Network System	31.599	Jul.05		X			X		Project completed. System in production
2	CR (ICRIS)	Integrated Companies Registry Information System	48.000	May.04		X				X	Project completed. System in production
3	DH (A008ZS)	Laboratory Information System	62.346	Nov.02			X		X	X	System in production. Enhancements in progress.
4	ImmD (A029YF)	HKSAR Identity Card Project	1,225.589	May.03	X			X			Project completed. System in production.
5	ImmD	Implementation of Phase I	362.119	Jun.04			X		X		Procurement in progress.

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					1-6	7-12	> 12	(A)	(B)	(C)	
	(A033YF)	of the Updated IS Strategy – Immigration Control Automation System Enhancement Programme and IT Infrastructure Upgrade Programme									Proceeding according to the revised schedule.
6	ImmD (A034YF)	Implementation of Phase II of the Updated IS Strategy – Automated Passenger Clearance, and Automated Vehicle Clearance	352.753	Nov 04	X				X		Systems in production. Enhancement in progress
7	ImmD (A036YF)	Implementation of Phase III of the Updated IS Strategy - Application and Investigation Easy System, Electronic Records	336.845	May 06	X			X			Systems development and user acceptance test in progress.

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					1-6	7-12	> 12	(A)	(B)	(C)	
		Programme, Automatic Tag and Information Display System, and e-Services System									
8	ImmD (A039YF)	Introduction of Biometric HKSAR Passport and Strategic Enhancement of the Travel Document Information System	152.759	Apr.07	X					X	Phase I system in production. Phase 2 system in user acceptance test for roll out in Jun 2007.
9	ImmD (A040YF)	Computer system for the new control point for the Lok Ma Chau Terminus of Sheung Shui to Lok Ma Chau Spur Line	93.289	Jun.07	X				X		System installation and testing in progress for live operation in 1 Jul 2007.
10	Jud	Implementation of IS	67.768	Sep.01			X		X		All systems and

S/N	B/D	Project Description	Project Value ($M)	Approved Live-run Date	Duration of Slippage (month)			Cause of Slippage (A) Procurement Management (B) Requirement Management (C) Contractor Performance Management			Status as at 30 April 2007
					1-6	7-12	> 12	(A)	(B)	(C)	
	(A025YL)	Strategy Phase III case management systems, public payment information , pilot electronic filing, automated leadership and system enhancements									enhancements in production except e-filing system, which is pending for legislative amendment.
11	HKPF (A074YU)	Replacement of the Criminal Intelligence Computer System and the Enhanced Police Operational Nominal Index Computer System	66.170	Nov.05			X	X	X		Systems in production.
12	HKPF (A088YU)	Computer Assisted Palmprint and Fingerprint Identification System.	59.576	Mar 08	X			X			System development in progress.

S/N	B/D	Project Description	Project Value (SM)	Approved Live-run Date	Duration of Slippage (month)			Cause of Slippage (A) Procurement Management (B) Requirement Management (C) Contractor Performance Management			Status as at 30 April 2007
					1-6	7-12	> 12	(A)	(B)	(C)	
13	OGCIO (A066XV)	Enhancing the E-Government Infrastructure to Support the New Strategy for E-Government Service Delivery	170.800	Jan.08		X		X			Phase 1 system in production. Development of other phases in progress.
14	SWD (A011ZG)	Implementation of IS Strategy Phase II - Technical Infrastructure & Client Information System	241.053	Dec.04			X		X	X	TI system in production. CIS in tender evaluation for roll out in early 2009
15	TD (A076ZN)	Replacement of the Vehicles and Drivers Licensing Integrated Data (VALID) III System	110.000	Dec.04			X			X	Phase 1 system in production. Phase 2 system in development for roll out in Jun 2007.

S/N	B/D	Project Description	Project Value ($M)	Approved Live-run Date	Duration of Slippage (month)			Cause of Slippage (A) Procurement Management (B) Requirement Management (C) Contractor Performance Management			Status as at 30 April 2007
					1-6	7-12	> 12	(A)	(B)	(C)	
16	TD (A053ZN)	Transport Information System	63.600	Dec.03			X			X	System development in progress for roll out in Feb 2008.
17	WSD (A021ZR)	Customer Care and Billing System	253.100	Apr.04			X		X	X	System in production. Enhancement in progress.
18	WSD (A022ZR)	Implementation of Maintenance Works Management System and Laboratory Information Management System	40.253	Apr.05			X			X	LIMS in production. MWMS development completed. Phased roll out in progress.
	TOTAL		3,737.619		6	3	9	5	9	8	