P3M3® Assessment Report

Medicare Australia

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P3M3® Assessment Report

Classification

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•MANAGEMENT CONSULTANTS•

Document Control

Distribution List

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Revision History

| Date	Version	Modified By	Changes Made, Review History
10/8/2010	1.0	G. Vassallo G. Ingram	Initial draft
21/9/2010	1.1	G. Vassallo	Peer review amendments
4/10/2010	2.0	G. Ingram	Update following additional interviews
18/10/2010	2.1	G. Ingram	Align format with DHS P3M3 Assessment Report.
27/10/10	2.2 (Final)	G. Ingram	Final version of the assessment report incoporating updates following the gathering of additional evidence.

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P3M3 Assessment Report

EXECUTIVE SUMMARY

This P3M3® assessment was triggered in response to the Department of Finance and Deregulation's directive that Commonwealth Government agencies undertake P3M3® maturity assessments and plan for improvement of their capability to realise benefits from ICT-enabled initiatives. The assessment was undertaken by Tanner James on behalf of Medicare. The following approach to assessing P3M3® maturity was undertaken:

1. Documentation covering Medicare's current management processes was reviewed to gain an initial understanding of what was and was not present. During, and at the conclusion of interviews, documentation for specific initiatives was also reviewed.

2. Interviews were conducted with individuals in roles at the Portfolio, Programme and Project levels.

3. Significant additional evidence was provided by Medicare.

4. The results of the document reviews and interviews were used to assess Medicare's P3M3® maturity at Portfolio, Programme and Project Management levels on a scale of 1 (low) to 5 (extremely high).

Portfolio Management (Level 2) — 2 to 3

Programme Management (Level 2) — 2 to 3

Project Management (Level 2) — 2 to 3
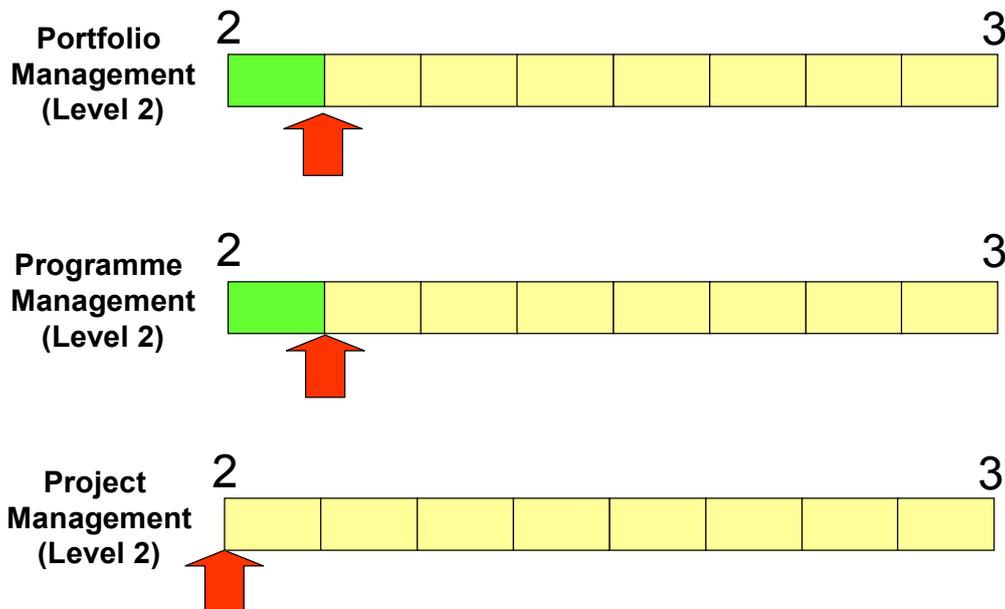
Portfolio Sub-Model

The rating for Medicare at the Portfolio sub-model is level 2. This indicates that Medicare has started to implement solid processes for Portfolio Management, and that these processes are being used effectively and that key staff are skilled in these processes. The individual perspective of Financial Management was rated at maturity level 3.

From the information gathered in this assessment, for Medicare to reach an overall level of 3 at this sub-model would require a much more consistently applied approach to Portfolio Management across the whole agency. Given the work being undertaken by the Service Delivery Reform (SDR) Programme and the fact that Human Services will be a single FMA Agency by July 2011 it is highly recommended that any work undertaken to increase portfolio maturity is co-ordinated with other parts of Human Services.

Programme Sub-Model

The rating for Medicare at the Programme sub-model is level 2.

Defining Medicare's maturity at the programme level was particularly complex as in many instances individuals use the term project to refer to projects and/or programmes. Typically more complex change initiatives are delivered as "large projects" using the Medicare Australia Project Management Framework (MAPMF). These large projects contain co-ordinated sub-projects and demonstrate many of the characteristics of good Programme Management.

During the course of this assessment programme maturity was ascertained by evaluating these "large projects" against the P3M3 Programme Management criteria.

To increase, and even possibly maintain, their current rating it is critical that Medicare more clearly differentiate the management of projects and programmes. A key to this will be the introduction of a Programme Management Methodology which focuses on the critical activities required to successfully deliver a programme, while still working cooperatively with MAPMF. Additionally, given the degree of inter-agencies co-ordination required for the majority of Medicare programmes, any Programme Management Methodology would have to support and encourage inter-agency communication and governance.

Project Management Sub-Model

The rating for Medicare at the Project sub-model is level 2.

Medicare recognises projects and manages them differently from its ongoing business but there is limited consistency across the agency despite the existence of MAPMF. Some elements of Project Management are more difficult to quantify within Medicare than other agencies due to the nature of the project work undertaken. For example, Medicare has good processes for realising internal benefits from projects, however the higher proportion of their work (80%+) is concerned with delivering functionality, from which other agencies will then derive benefit.

It is noted that training and development in Benefits Realisation has been undertaken, and that this has supported a much wider appreciation of Benefits Realisation at the project level.

Additional Observations

- There was little evidence of periodic, formal reviews of on-going business cases. Although business cases are considered as part of the change control processes, best practice suggests that regular, time bound reviews should also take place.

- While Stakeholder Management across all of the sub-models is rated at Level 2 it would benefit from a more formally documented approach possibly including a more detailed analysis process for individual stakeholders.

- Although there was a significant audit and review programme in Medicare there was limited focus on the change initiatives, including programmes and projects. There was also limited evidence of project assurance[1] activities being undertaken.

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[1] In the context of this report, audit is used to mean a process undertaken at a single point in time to confirm the current status of a piece of work, whereas assurance is a longer-term, ongoing engagement providing regular guidance and feedback.

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- Across all three levels financial benefits were well quantified and harvested by Medicare, however non-financial benefits were much less rigorously defined and managed.

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1 BACKGROUND

1.1 ICT Reform Program

One of the seven key findings of the ICT Review undertaken by Sir Peter Gershon and endorsed by the Government in November 2008 was:

"Agency governance mechanisms are weak in respect of their focus on ICT efficiency and an understanding of organisational capability to commission, manage and realise benefits from ICT-enabled projects."

Based on this finding the ICT Review made the following key recommendation:

"Improve agency capability to commission, manage and realise the benefits from ICT-enabled projects through the implementation of a common methodology for assessing agency capability based on self-assessment and periodic independent audit.

Each agency Chief Executive to propose a target level of capability based on their agency's and the Government's strategic priorities, and for this to be independently validated.

Agencies to develop a capability improvement plan with commitment, and agreed actions, to address identified gaps."

In November 2009 the Secretary of Finance wrote to the heads of all FMA agencies, including Medicare, informing them that each agency needs to commence using P3M3® to assess its capability to commission, manage and realise benefits from ICT-enabled investment and prepare a capability improvement plan by December 2010.

Medicare engaged Tanner James Management Consultants, an accredited P3M3® consultancy service provider, to undertake a P3M3® assessment on Medicare.

1.2 Two Pass Review Process

The Government introduced a two pass review process in 2008 to obtain better information to support its decisions on major investments in ICT-enabled proposals.

Proposals are subject to the ICT Two Pass Review process if they:

a) are ICT-enabled. That is, the policy or service delivery outcomes are highly dependent on the underpinning ICT system;

b) have a total cost estimated to be $30 million or more, including ICT costs of at least $10 million; and

c) involve high risk in terms of cost, technical complexity, workforce capacity or schedule.

The Government may also apply the process to other proposals where it considers the proposal would benefit from the review.

Agency capability is to be formally taken into consideration, and independently validated, particularly before undertaking major ICT projects that are either internally funded or receiving new policy proposal (NPP) funding.

2   PURPOSE

The purpose of this assessment report is to:

- Report upon a P3M3® rating for Medicare Australia's change initiatives covering Portfolio, Programme and Project Management maturity assessment;

- Document Medicare's current P3M3® ratings;

- Provide additional comments and feedback based on the application assessment and interview process; and

- Provide the basis for Medicare to set a target P3M3® rating for the future and create a capability improvement plan.

3   SCOPE

3.1 Inclusions

The P3M3® assessment covered the portfolio, programme and project activities across Medicare. This included sampling sufficient programmes and projects to create a representative sample set for the Medicare change portfolio. Over 25 staff members were interviewed as part of the assessment.

3.2 Exclusions

There were no specific exclusions.

3.3 Assessment Approach

Prior to conducting interviews, Tanner James reviewed documentation covering Medicare's current management processes to gain an initial understanding of what was and was not present. During and at the conclusion of interviews, documentation for specific initiatives was also reviewed.

To support more detailed analysis Medicare also supplied significant additional evidence after the completion of the interview process.

For this assessment Medicare's entire scope of change was treated as a single Portfolio. Interviews were conducted with individuals in the roles of Portfolio Director and Investment Committee Member. Interviews were also conducted with individuals at the programme and project levels.

3.4 Key terminology

- **Benefit** - The measurable improvement resulting from an outcome perceived as an advantage by one or more of Medicare's stakeholders.

- **Outcome** – The result of change, normally affecting real world behaviour and/or circumstances, the manifestation of part or all of the new state conceived in a programme's blueprint.

- **Portfolio** - The totality of Medicare's investment (or segment thereof) in the changes required to achieve its strategic objectives.

- **Programme** - A temporary, flexible organisation created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to Medicare's strategic objectives.

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- **Project** - A temporary organisation that is created for the purpose of delivering one or more Medicare's business outputs according to a specified business case

The OGC definition of a benefit and an outcome (above) places the focus on "real world" change and the improvements brought to the end users. Where there may have been multiple approaches to delivering the same blueprint (or end state) the pros and cons of these different approaches would normally be included within the options section of the Business Case, but would not be considered benefits in their own right (according to the OGC).

For example in the case of the Healthcare Identifier Programme, the advantages to NEHTA of using Medicare to deliver the solution (more cost effective and more timely delivery), would increase the cost effectiveness of the programme and lead to earlier realisation of end user benefit, they would not however represent (under the OGC definition) benefits themselves. However the Medicare online staff cost savings within the EMC (Electronic Medicare Claiming) Programme would be considered a benefit, under the OGC definition.

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4 CURRENT P3M3 MATURITY LEVELS

4.1 Maturity Summary

Current P3M3® Maturity
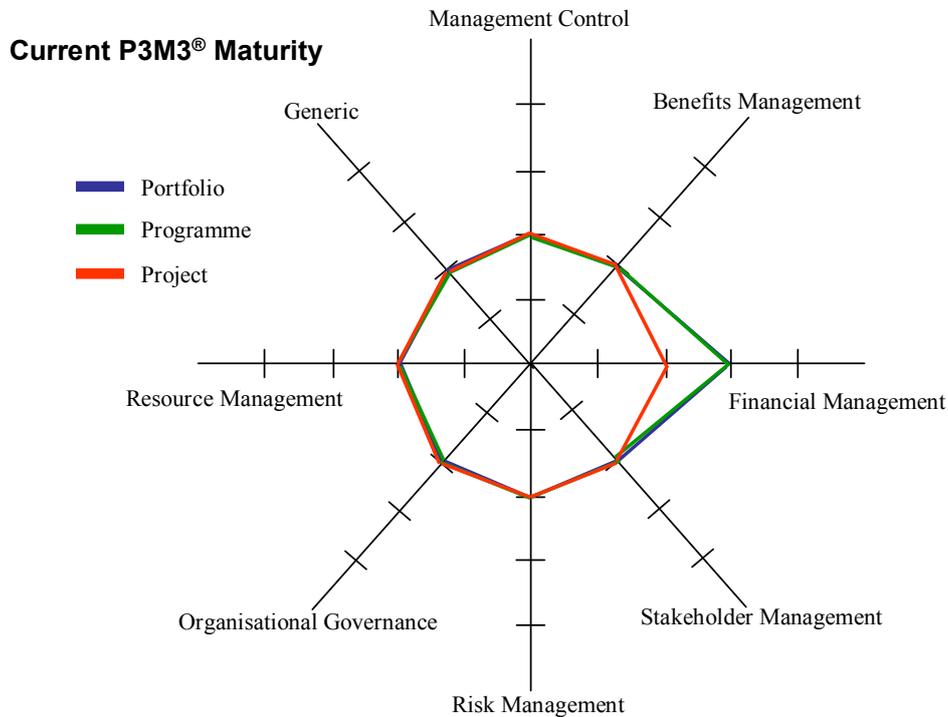
The P3M3 Maturity levels are:

1. **Awareness of Process** - Processes are not usually documented, actual practice is determined by events or individual preferences, and performance is variable.

2. **Repeatable Processes -** Basic management practices are in place and being improved. Key individuals are trained and demonstrate a successful track record and through them, the organisation is capable of repeating success.

3. **Defined Processes -** Management and technical processes are documented, standardised and integrated to some extent with business processes. Processes are being applied in a consistent manner across the organisation.

4. **Managed Processes -** The organisation has defined processes that are quantitatively managed, i.e. controlled using metrics. There are quantitative objectives for quality and process performance, and these are being used in managing processes.

5. **Optimised Processes -** There is focus on optimisation of quantitatively managed processes to account for changing business needs. The organisation exhibits continuous process improvement, and can show strong alignment of organisational objectives with business plans.

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	Sub-model Score	**Process Perspectives**							
		Management Control	Benefits Management	Financial Management	Stakeholder Management	Risk Management	Organisational Governance	Resource Management	Generic Attributes Score
Portfolio Management	**2**	2	2	3	2	2	2	2	2
Programme Management	**2**	2	2	3	2	2	2	2	2
Project Management	**2**	2	2	2	2	2	2	2	2

A P3M3® Assessment is scored at two levels, the perspectives within a sub-model, and then the sub-model itself. Each perspective is scored between 1 and 5. The model only uses whole numbers so it is not possible, for example, to score 2.5. The score for the sub-model is then calculated by taking the lowest score of all of the perspectives within that sub-model.

In the detailed maturity descriptions below, information has been included indicating whether the level attributed to a perspective has just been achieved or whether that perspective is almost at the next level. These indicators are not part of the formal P3M3® results, but have been added to increase the value of the Assessment Report and to support capability improvement planning.

Throughout the detailed maturity descriptions there are examples of the types of actions Medicare might choose to take to increase or maintain a certain level of maturity within a perspective or sub-model. This information is included as examples only to assist in the capability improvement planning work to come, and should not be taken as an explicit or implicit recommendation of any target level P3M3® rating for Medicare.

4.2 Portfolio management maturity description

Portfolio Management
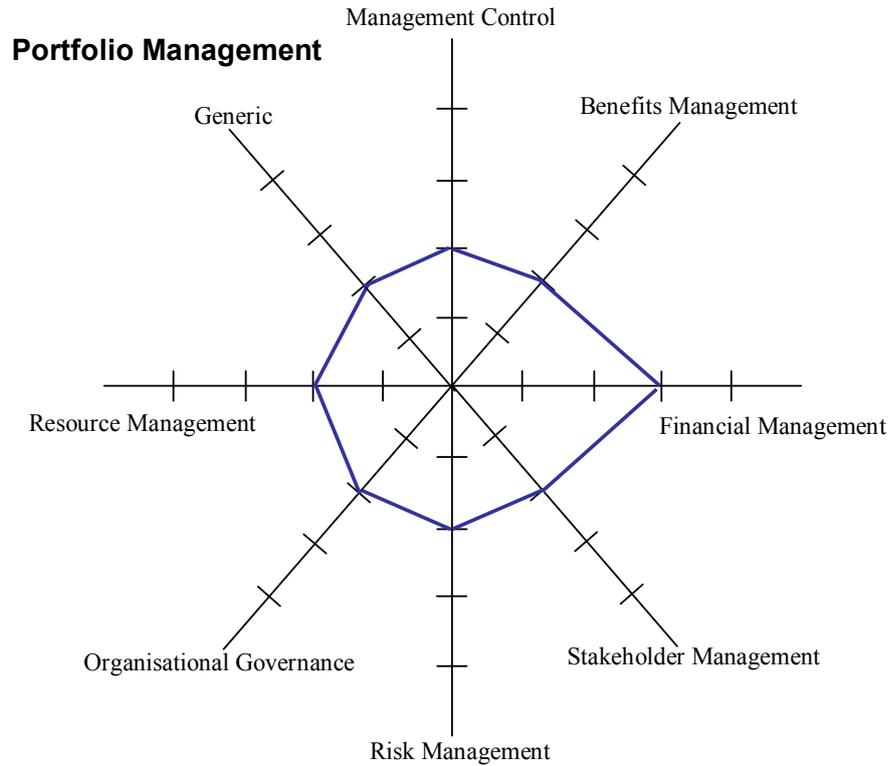
Medicare is currently rated at level 2 in Portfolio Management maturity, with one sub-model perspective, Financial Management at level 3. This indicates that Medicare has a firm foundation to build upon if required. During the interviews there were a number of references to the way in which Medicare has, and is, developing and improving its portfolio governance.

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4.2.1 Portfolio Management Control (assessed at level 2)

> **Management Control**
>
> *This covers the internal controls of the initiative and how direction is maintained throughout its life cycle, with appropriate break points to enable it to be stopped or redirected by a controlling body if necessary. Best practice is characterised by clear evidence of leadership and direction, scope, stages, tranches and review processes during the course of the initiative.*

A level 2 assessment for management control implies that *there are pockets of portfolio discipline within individual departments, but this is based on key individuals rather than as part of a comprehensive and consistent organization-wide approach.* [2]

Observations

From the information gathered it appears that many of the procedures needed to undertake effective Portfolio Management are in place, including a number of Practice Statements and Chief Executive Instructions. Medicare is currently rated at level 2 and not level 3 because the evidence suggests that these procedures have not yet been uniformly understood and implemented agency-wide.

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[2] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 3, accessed 20/09/10

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4.2.2 Portfolio Benefits Management (assessed at level 2)

Benefits Management

This ensures the desired business outcomes are clearly defined, measurable and ultimately delivered through a structured approach. Best practice recommends that benefits are assessed and approved by the organisational areas that will deliver them. Benefit dependencies and other requirements should be clearly defined, and understanding gained on how the initiative's outputs will deliver the benefits.

Observations

Medicare is becoming aware of the importance of identifying benefits and subsequently tracking whether they have been realised. There was clear evidence of links between portfolio level benefits and strategic objectives, as well as strong engagement from the business in defining and taking ownership of the benefits at the portfolio level.

There is no centrally managed framework used to balance benefits across multiple projects or programmes such that benefits aren't overstated or double counted. There also appeared to be no evidence of clear guidelines and procedures for ensuring that the full impact on portfolio benefits is considered when assessing potential change initiatives.

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4.2.3 Portfolio Financial Management (assessed at level 3)

> **Financial Management**
>
> *This ensures that likely costs are captured and evaluated in a formal business case and are categorised and managed over the investment life cycle. There should be appropriate involvement from the organisation's financial functions, with approvals being embedded in the broader organisational hierarchy. Best practice suggests that a business case should define the value of the initiative to the business and contain a financial appraisal of the possible options.*

A level 3 assessment implies that *there are established standards for the investment management process and the preparation of business cases. Portfolio investment costs are monitored and controlled.*[3]

Observations

There is evidence of good financial management at the portfolio level, with funds being allocated in a controlled manner and expenditure being closely monitored and reported. There are interfaces to broader financial systems and effective mechanisms for rolling up financial information from the project level including the larger change initiatives.

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[3] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 8, accessed 20/09/10

4.2.4 Portfolio Stakeholder Management (assessed at level 2)

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4. Stakeholder Management

Best practice suggests that both internal and external stakeholders are analysed and engaged in order to achieve the initiative's objectives. Stakeholder Management includes communications planning, the effective identification and use of different communications channels, and techniques to enable objectives to be achieved.

A level 2 assessment implies *portfolios will be communicated to stakeholders, but this is linked more to the personal initiative of portfolio managers than to a structured approach deployed by the organization*.[4]

Observations

Information gathered during the assessment indicated that Portfolio Stakeholder Management is undertaken well, with a number of Stakeholder Forums established. Apart from some terms of reference for these forums there is little corporate documentation around the engagement processes. There was also no evidence of a formally documented and applied Stakeholder Analysis and Management process within Medicare, which would be required to achieve level 3 in this perspective.

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[4] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 10, accessed 20/09/10

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4.2.5 Portfolio Risk Management (assessed at level 2)

> *Risk Management*
>
> *This views the way in which the organisation manages threats to, and opportunities presented by, the initiative. Risk Management maintains a balance of focus on threats and opportunities, with appropriate management actions to reduce or eliminate the likelihood/impact of any identified threat.*

A level 2 assessment implies that *there is generally a top-down approach to risk identification, focusing on major organizational initiatives, but some initiatives are increasingly carrying out bottom-up risk identification. However, these approaches are inconsistent, not particularly interrelated and often do not address the actual management of risks.*[5]

Observations

Risk Management at the portfolio level appears to be very well established within Medicare, with risks being identified, quantified and managed in a controlled manner both corporately and at the project level. There is a corporate group to establish and monitor the application of risk management in Medicare.

At Portfolio level the focus is on key risks to Medicare and governance is established to assure senior management that project risks are being managed effectively.

There is little evidence to suggest that risks are being aggregated, as distinct from simply being escalated from projects and the Business Areas.

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[5] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 13, accessed 20/09/10

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4.2.6 Portfolio Organisational Governance (assessed at level 2)

> **Organisational Governance**
>
> *This looks at how the delivery of initiatives are aligned to the organisation's strategic direction, including start-up, closure and during the initiative's lifecycle. This perspective looks at how the impact of external factors might be controlled/mitigated, as opposed to Management Control, which considers how internal control is maintained.*

A level 2 assessment implies that *there are some attempts to recognize the portfolio of initiatives, but there is still little overall leadership and direction for the process. Initiatives may be initiated and run without full regard to the organizational goals, priorities and targets..[6]*

Observations

There is evidence of well established portfolio governance, with strong support and involvement from the executive level. Portfolio initiatives however appear to be managed through projects rather than any formal Programme Management methodology.

There was no evidence that the governance arrangements ensure that business cases for individual change initiatives are undergoing consistent, periodic review.

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[6] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 16, accessed 20/09/10

4.2.7 Portfolio Resource Management (assessed at level 2)

> **Resource Management**
>
> *This covers management of all resources required for delivery, including human resources, buildings, equipment, supplies, information, tools and supporting teams. A key element is the process for acquiring resources and how supply chains are utilised to maximise their effective use. In best practice there will be evidence of capacity planning and prioritisation to enable effective resource management.*

A level 2 assessment implies that the *organization has started to develop portfolio resource management processes and improve the identification and allocation of resources to specific initiatives. However, this is likely to be reliant on key individuals and does not assess the impact of resource allocation against the strategic objectives and priorities.*[7]

Observations

Medicare has started to develop portfolio resource management processes and is contributing to a Departmental Workforce Management Plan and Medicare will shortly develop a Human Resource Capital Plan.

However there was no evidence that resource management is being centrally defined or aligned with Medicare's strategic objectives, which would be required for Medicare to move towards level 3.

[7] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=457&sID=166, page 18, accessed 20/09/10

4.3 Portfolio Generic Attributes (assessed at a level 2)

- **Roles and Responsibilities (level 2)**. Roles and responsibilities are defined to a degree, but do not appear to be consistently applied across the whole agency. These roles and responsibilities are not as comprehensive as they could be.

- **Experience in Portfolio Management (level 2)** - There is evidence that individuals may have the right skills and experience for the roles they are undertaking but due to recent senior management turnover, it is difficult to confirm track records.

- **Capability development (level 2)** – There were examples of some local sharing of knowledge and experience at the portfolio level, but no structured training, mentoring or coaching appears to be in place.

- **Planning and estimating processes (level 2)**. – Although portfolio plans were in place there was limited evidence of a consistent, centralised approach to estimating and scheduling.

- **Information and documentation (level 2)**. – There was evidence of solid information management at the portfolio level particularly during start-up and definition of portfolio initiatives but with limited evidence of refresh cycles. During some interviews it was noted that individuals knew that some documentation existed but they were not sure where or how to access them.

- **Scrutiny and review (level 3)** – There is a track record of a high level of internal and external audit at the portfolio level, however this appeared to be for compliance rather than to identify opportunities for improvement.

4.4 Programme management maturity description

Programme Management
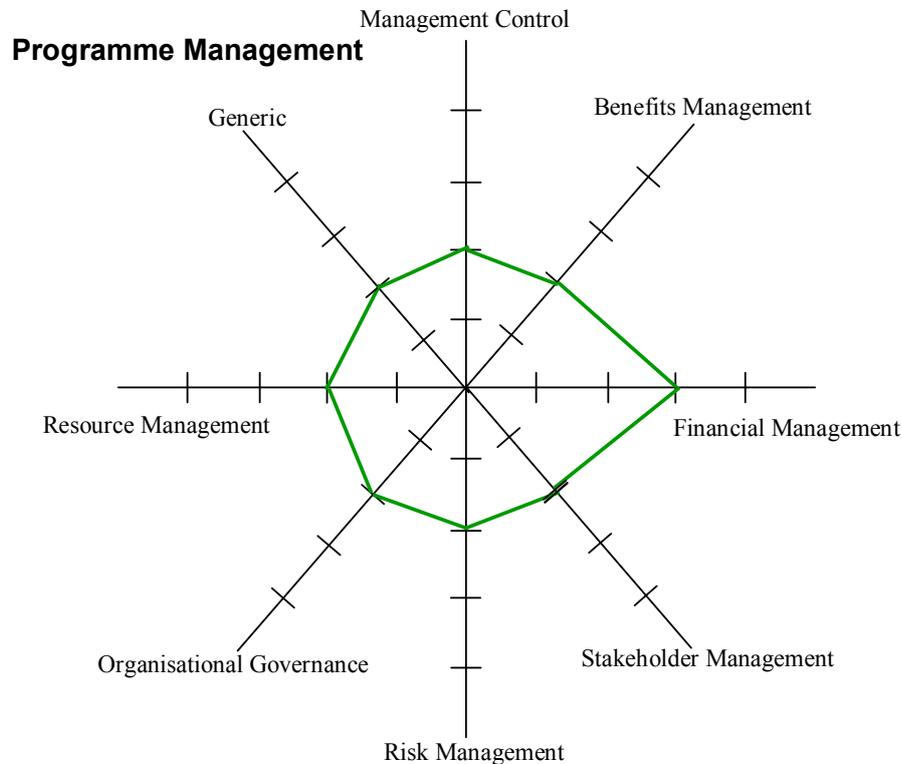
Overview of programme perspective maturity levels.

The rating for Medicare at the Programme sub-model is level 2.

Defining Medicare's maturity at the programme level was particularly complex as in many instances individuals use the term project to refer to projects and/or programmes. Typically more complex change initiatives are delivered as "large projects" using MAPMF. These large projects contain co-ordinated sub-projects and demonstrate many of the characteristics of good Programme Management.

During the course of this assessment programme maturity was ascertained by evaluating these "large projects" against the P3M3 Programme Management criteria.

To increase, and even possibly maintain, their current rating it is critical that Medicare more clearly differentiate the management of projects and programmes. A key to this will be the introduction of a Programme Management Methodology which focuses on the critical activities required to successfully deliver a programme, while still working cooperatively with MAPMF. Additionally, given the degree of inter-agencies co-ordination required for the majority of Medicare programmes, any Programme Management Methodology would have to support and encourage inter-agency communication and governance.

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4.4.1 Programme Management Control (assessed at level 2)

> **Management Control**
>
> *This covers the internal controls of the initiative and how direction is maintained throughout its life cycle, with appropriate break points to enable it to be stopped or redirected by a controlling body if necessary. Best practice is characterised by clear evidence of leadership and direction, scope, stages, tranches and review processes during the course of the initiative.*

A level 2 assessment implies that *the concepts of programme management will have been grasped by the organization and there may be local experts, such as experienced programme managers, working on key programmes.* [8]

Observations

During the interview process the terms project and programme were often used interchangeably by interviewees, indicating a less than clear view of what constitutes a project and what is a programme. In a number of cases multiple projects were being managed by a Business Area Manager but using a project management approach.

Looking beyond pure terminology, there were examples within Medicare of multiple projects being controlled and delivered within a "programme" structure.

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[8] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 3, accessed 20/10/10

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4.4.2 Programme Benefits Management (assessed at level 2)

Benefits Management

This ensures the desired business outcomes are clearly defined, measurable and ultimately delivered through a structured approach. Best practice recommends that benefits are assessed and approved by the organisational areas that will deliver them. Benefit dependencies and other requirements should be clearly defined, and understanding gained on how the initiative's outputs will deliver the benefits.

A level 2 assessment implies that *benefits are recognised as an element within programme business cases. There may be some documentation regarding who is responsible for particular benefits and their realization, but this is unlikely to be followed through or consistent.* [9]

Observations

Medicare has a standard approach for identifying, quantifying and harvesting benefits within programmes. In the case of financial benefits these processes are adequately applied, however for quantifiable non-financial benefits the standards are applied with significantly less rigour. Additionally at the programme level there was no evidence of the realisation of specific benefits being attributed to named individuals, or any other form of benefit ownership.

It should also be noted that for a significant number of the change initiatives undertaken by Medicare, benefits were to be realised by other agencies (for example NEHTA or DoHA). In these cases although accountability for benefit realisation may lie outside, Medicare still has some responsibility to understand, promote and contribute to the overall benefit realisation process. This reinforces the need for more of these initiatives to be undertaken using a multi-agency programme structure.

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[9] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 5, accessed 20/10/10

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4.4.3 Programme Financial Management (assessed at level 3)

> **Financial Management**
>
> *This ensures that likely costs are captured and evaluated in a formal business case and are categorised and managed over the investment life cycle. There should be appropriate involvement from the organisation's financial functions, with approvals being embedded in the broader organisational hierarchy. Best practice suggests that a business case should define the value of the initiative to the business and contain a financial appraisal of the possible options.*

A level 3 assessment implies that t*here are centrally established standards for the preparation of business cases and processes for their management throughout the programme lifecycle...*[10]

Observations

It should be noted that although, at this time, Medicare achieved level 3 in Financial Management, it is still close to the borderline between level 2 and level 3.

There are well defined, centrally controlled processes for defining business cases (including a business case template) and for managing programmes from a financial perspective. There are also good guidelines on programme costing and clearly defined levels of authority for expenditure and sign-off. Evidence was also provided that the programme approval processes had been integrated with the wider financial corporate functions.

Application of the standards however is not as well executed as it could be, for example some business cases followed the standard, while others contained minor (and in some cases significant) variations. From the evidence provided it appeared that once programmes were underway expenditure both planned and actual was monitored well, however full business case review points were undertaken on a very limited basis.

There was also no evidence of programme risks or issues being assessed in financial terms.

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[10] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 8, accessed 20/10/10

4.4.4 Programme Stakeholder Management (assessed at level 2)

> **Stakeholder Management**
>
> *Best practice suggests that both internal and external stakeholders are analysed and engaged in order to achieve the initiative's objectives. Stakeholder Management includes communications planning, the effective identification and use of different communications channels, and techniques to enable objectives to be achieved.*

A level 2 assessment implies that *some programmes will be communicated to stakeholders, but this is linked more to the personal initiative of programme managers than to a structured approach being deployed by the organization.*[11]

Observations

Evidence from the assessment suggests that stakeholders are managed well within Medicare programmes due in part to two aspects. The first is the availability of a number of stakeholder forums that have been identified and developed corporately and the second is due to the communications competency of the individual Programme Manager. Corporate Communications are sometimes engaged early in the process and subsequently key stakeholders are routinely advised and consulted. There was some evidence that stakeholders were sometimes empowered through the different forums and committees, however, this process appeared to be relatively ad hoc.

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[11] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 11, accessed 20/10/10

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4.4.5 Programme Risk Management (assessed at level 2)

Risk Management

This views the way in which the organisation manages threats to, and opportunities presented by, the initiative. Risk Management maintains a balance of focus on threats and opportunities, with appropriate management actions to reduce or eliminate the likelihood/impact of any identified threat.

A level 2 assessment implies that *risk management is recognized and used on programmes, but there are inconsistent approaches which result in different levels of commitment and effectiveness...*[12]

Observations

There was some evidence of good Risk Management at the programme level, however there is still significant scope for improvement in how programme risks are defined and quantified. A more clearly defined project/programme interface would ensure that risks were being managed at the appropriate level.

Additionally assessing the financial impact of risks and issues could lead to a more effective process.

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[12] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 13, accessed 20/10/10

4.4.6 Programme Organisational Governance (assessed at level 2)

> **Organisational Governance**
>
> *This looks at how the delivery of initiatives are aligned to the organisation's strategic direction, including start-up, closure and during the initiative's lifecycle. This perspective looks at how the impact of external factors might be controlled/mitigated, as opposed to Management Control, which considers how internal control is maintained.*

A level 2 assessment implies that *programme management from an organizational perspective is beginning to take shape but with ad hoc controls and no clear strategic control. Roles and responsibilities will be inconsistent, as will reporting lines.*.[13]

Observations

As was discussed earlier in the absence of a Programme Management Framework, governance appears to be being applied as per project management but with closer scrutiny of programme reporting. These arrangements did not appear to be implemented consistently across Medicare.

As with the Organisational Governance at the project level, there appeared to be some confusion concerning lines of accountability in the programme environment, with programme and line management reporting sometimes overlapping. Roles and Responsibilities are defined for projects but not specifically for programmes.

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[13] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 16, accessed 20/10/10

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4.4.7 Programme Resource Management (assessed at level 2)

> **Resource Management**
>
> *This covers management of all resources required for delivery, including human resources, buildings, equipment, supplies, information, tools and supporting teams. A key element is the process for acquiring resources and how supply chains are utilised to maximise their effective use. In best practice there will be evidence of capacity planning and prioritisation to enable effective resource management.*

A level 2 assessment implies that *resources are being deployed across the organization and individual programmes have an approach to resource acquisition, planning or management. However there is little evidence of consistency of approach..[14]*

Observations

From the evidence provided there appeared to be recognition within Medicare of the need to manage resources effectively to enable successful delivery of programmes. There was evidence of resource planning (at the skills and capacity level). There was also evidence of some programmes considering how best to use resource both across projects within the programme, as well as external to the programme.

[14] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=464&sID=166, page 19, accessed 20/10/10

4.5 Programme Generic Attributes (assessed at level 2)

- **Roles and Responsibilities (level 2)** - Roles and responsibilities appear to be defined locally within programmes. There was no evidence of centrally defined roles.

- **Experience in Programme Management (level 2)** - It was expressed that the majority of individuals involved in programme management had the right experience and track record for the work they were undertaking, although there was evidence of some lack of understanding of the specific skills required to manage a programme.

- **Capability development (level 2)** – There was little evidence of formalised skills development at the programme management level, although there was some inter-agency sharing of experience and lessons learnt.

- **Planning and estimating processes (level 2)** – There was good evidence of programme plans being developed using sound estimating and planning approaches but these were based on the Project Management Framework.

- **Information and documentation (level 2)** – All of the programmes covered in the assessment used TRIM for document control. There was some evidence of controlled release of information but no indication of refresh cycles.

- **Scrutiny and review (level 2)** – There was evidence of some local internal auditing, however their appeared little, if any, independent reviews or improvements being made to programmes as a result of the audits.

4.6 Project management maturity description

Project Management
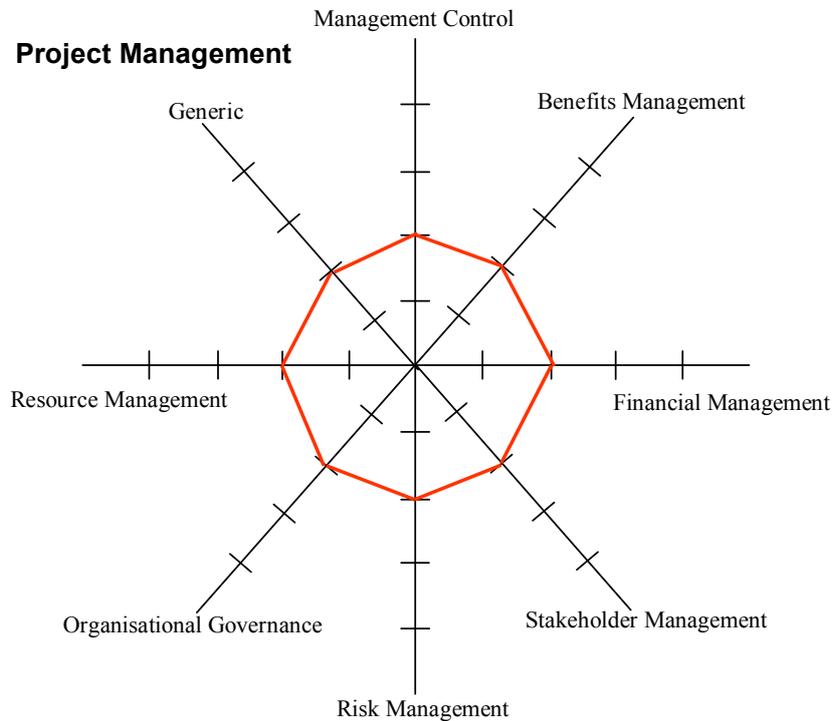
Medicare is currently rated at level 2 in Project Management maturity.

Key observations

Projects are delivered using different project management frameworks (PMF) depending on which area is delivering the project. While there is a centrally managed PMF to help support all projects it is not fully applied in all cases. There was evidence that project templates are sometimes used inflexibly and on the basis of process compliance rather than to specifically deliver project outcomes.

Business cases are reviewed at the beginning of the project but not necessarily updated to reflect major change.

Business cases and project oversight appears to be separated from project delivery such that Project Managers tend to fulfill more of a project co-ordination role than a qualified, authorised Project Management role. This tends to drive responsibility upward to fewer control points, increasing delivery risks.

Business cases tend to identify and list benefits but there appears to be limited follow through to the end of the project and beyond.

Assurance roles around governance committees are not as well understood or defined as they could be and the committees tend to have a reactive approach rather than a supportive approach.

Risk Management appeared to be strong during project start up although it tends to concentrate on high level overarching risks and not necessarily covering in detail the specific delivery risks during the course of project. Best practice suggests that risks should be analysed, reviewed and managed during the course of project delivery via regular risk

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reviews, maintenance of risk registers and ensure risk impacts and mitigations are specifically costed. While there is a dedicated corporate group to manage risk which could support a centralised risk management process, it was suggested during interview that this function may be under resourced. There was little evidence of follow up, reviews or regular support for risk management within projects.

Project management roles appeared to be exercised as Project Coordinators with limited control over project tasks, scheduling, dependency management, budgeting and resource management.

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4.6.1 Project Management Control (assessed at level 2)

Management Control

This covers the internal controls of the initiative and how direction is maintained throughout its life cycle, with appropriate break points to enable it to be stopped or redirected by a controlling body if necessary. Best practice is characterised by clear evidence of leadership and direction, scope, stages, tranches and review processes during the course of the initiative.

A level 2 assessment implies that *the concepts of project management will have been grasped by the organisation, and there may be local experts, such as experienced project managers, working on key projects*.[15]

Observations

Project management terminology is used by most staff and there is awareness of project management concepts and language. There are localised specialists in project management and some highly capable Project Managers are working on key projects.

Management Control is at level 2 and not at level 3 because the project approach is localised and not consistent across Medicare. Different approaches are used between ICT projects and other corporate and strategic or policy driven projects and not all projects apply the framework in the same way.

There is strong local control and project monitoring though this is not consistent across the whole agency.

There did not appear to be a strong link in either the corporate or ICT project delivery domains between corporate direction, strategy and benefits and project delivery and outcomes.

Structured stage reviews did not appear to be regularly carried out and process reviews were only triggered by an issue or variance from the norm. A culture of regular formal stage and project reviews did not appear to be established across Medicare.

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[15] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 3, accessed 20/10/10

4.6.2 Project Benefits Management (assessed at level 2)

> ### *Benefits Management*
>
> *This ensures the desired business outcomes are clearly defined, measurable and ultimately delivered through a structured approach. Best practice recommends that benefits are assessed and approved by the organisational areas that will deliver them. Benefit dependencies and other requirements should be clearly defined, and understanding gained on how the initiative's outputs will deliver the benefits.*

A level 2 assessment implies *benefits are recognized as an element within project business cases. There may be some documentation regarding who is responsible for particular benefits and their realization, but this is unlikely to be followed through or consistent.*[16]

Observations

Benefits Management is at level 2 because there is some recognition of the difference between benefits and project outputs. There was some, if variable, understanding of benefits and their application to achieving higher level corporate or programme goals.

For the majority of projects undertaken within Medicare benefit realisation takes place in another agency, which makes it difficult to fully assess project level benefit realisation. For internal projects there is well imbedded benefit realisation, with most benefits being financial, and realisation being tied to changes in budget allocation.

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[16] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 6, accessed 20/10/10

4.6.3 Project Financial Management (assessed at level 2)

> **Financial Management**
>
> *This ensures that likely costs are captured and evaluated in a formal business case and are categorised and managed over the investment life cycle. There should be appropriate involvement from the organisation's financial functions, with approvals being embedded in the broader organisational hierarchy. Best practice suggests that a business case should define the value of the initiative to the business and contain a financial appraisal of the possible options.*

A level 2 assessment implies that *project business cases are produced in various forms and the better and more formal cases will present the rationale on which to obtain organizational commitment to the project. Overall cost of the project is not monitored or fully accounted for.*[17]

Observations

Financial Management is at level 2 because financial control at the project level is variable with some cost and budget control exercised at the project level. In some cases Financial Management is undertaken predominantly by the business area rather than within the project.

Business cases are often separated from project implementation and Project Managers only see project costing requests rather than the full business case. There was evidence that in some circumstances the business case, if it exists, was not actively managed during the project life cycle.

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[17] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 9, accessed 20/10/10

4.6.4 Project Stakeholder Management (assessed at level 2)

> **Stakeholder Management**
>
> *Best practice suggests that both internal and external stakeholders are analysed and engaged in order to achieve the initiative's objectives. Stakeholder Management includes communications planning, the effective identification and use of different communications channels, and techniques to enable objectives to be achieved.*

A level 2 assessment implies *projects will be communicated to stakeholders, but this is linked more to the personal initiative of project managers than to a structured approach being deployed by the organization.*[18]

Observations

Stakeholder Management is at level 2 because project teams communicate with stakeholders and the concept of stakeholder engagement is grasped across Medicare. There is some evidence of detailed stakeholder analysis with some projects analysing stakeholder responses and interests. Projects recognise stakeholder groupings though these are usually based on local knowledge rather than a Medicare-wide perspective.

From the evidence it appears that key messages targeting stakeholders are not always centrally managed and it is left to the skills of the individual Project Managers.

Some key individuals have well developed stakeholder engagement skills and experience.

Some projects have developed stakeholder and communications plans.

Stakeholder engagement is not at level 3 because there is no centrally managed and consistent approach to stakeholder engagement used by all projects across Medicare. Corporate Communications are used in some high profile projects but not used frequently.

Audit trails of communications with stakeholders are not maintained within projects.

It would appear that communication budgets are not a regular inclusion or consideration in project costing and budgeting.

Evidence suggests that the PMO does not normally get involved in supporting projects with their stakeholder engagement.

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[18] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 11, accessed 20/10/10

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4.6.5 Project Risk Management (assessed at level 2)

> ### *Risk Management*
>
> *This views the way in which the organisation manages threats to, and opportunities presented by, the initiative. Risk Management maintains a balance of focus on threats and opportunities, with appropriate management actions to reduce or eliminate the likelihood/impact of any identified threat.*

A level 2 assessment implies that *risk management is recognized and used on projects, but there are inconsistent approaches, which result in different levels of commitment and effectiveness.*[19]

Observations

Risk Management is at level 2 because Risk Management is recognised and used in projects across Medicare but not managed in a consistent manner. Some Project Managers understand and articulate the importance of risk management and its application in projects though this is variable throughout Medicare.

Risk registers are used in projects, though not always maintained during the course of the project.

Risk status reporting is carried out and provided to governance bodies to assist project assurance and governance.

Risk Management is not at level 3 because different areas use different models. For example some areas use the ISO 31000 standard while others use AS/NZ 4360:2004; some areas use a 4x4 risk matrix while others use a 5x5 matrix.

There is a corporate risk and audit group within Medicare that assists in project start up, though there does not appear to be a single set of risk management processes being applied consistently across Medicare.

Evidence suggests that risk mitigations and impacts are not generally costed.

Risk process reviews are only carried out on the trigger of an event rather than as a regular process.

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[19] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 14, accessed 20/10/10

4.6.6 Project Organisational Governance (assessed at level 2)

> **Organisational Governance**
>
> *This looks at how the delivery of initiatives are aligned to the organisation's strategic direction, including start-up, closure and during the initiative's lifecycle. This perspective looks at how the impact of external factors might be controlled/mitigated, as opposed to Management Control, which considers how internal control is maintained.*

A level 2 assessment implies that *project management from an organizational perspective is beginning to take shape but with ad hoc controls and no clear strategic control. Roles and responsibilities will be inconsistent, as will reporting lines.*[20]

Observations

Organisational Governance is at level 2 because there is a formalised organisational governance structure applied to all projects. Project plans contain governance structures and definitions. Project management is recognised across Medicare and project management processes are beginning to mature. There is a level of strategic control applied to projects and some roles and responsibilities are identified though not always consistently.

Project reporting with escalations to governance bodies is present in all projects.

Organisational Governance is not at level 3 because while there are some centrally defined controls these are not applied consistently to all projects. Common definitions of project boards/committees, their roles and responsibilities are not available across Medicare.

There is considerable variability in the interpretation of the various project assurance roles on project committees and there appears to be a disconnect in some places between the view and understanding of project assurance between project teams and their governing bodies.

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[20] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 17, accessed 20/10/10

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4.6.7 Project Resource Management (assessed at level 2)

Resource Management

This covers management of all resources required for delivery, including human resources, buildings, equipment, supplies, information, tools and supporting teams. A key element is the process for acquiring resources and how supply chains are utilised to maximise their effective use. In best practice there will be evidence of capacity planning and prioritisation to enable effective resource management.

A level 2 assessment implies that *resources are being deployed across the organization and individual projects have an approach to resource acquisition, planning or management. However, there is little evidence of consistency of approach.*[21]

Observations

Resource Management is at level 2 because there is recognition within Medicare that resources need to be managed effectively to enable successful delivery of projects. Resources are being deployed across the agency on some occasions and some areas have a structured approach to resource acquisition and management.

Resources are being applied to specific project activities with some application of skills and competencies used to assist project delivery and reduce delivery risks.

Resource Management is not at level 3 because there is no centrally defined and adopted set of procedures and management processes for managing and planning project resources.

Evidence suggests that planning is localised and concentrates on meeting immediate demand rather than the estimation and management of resources based on forward projections.

There is limited evidence of resource sharing via a planned resource schedule or other resource sharing methods.

Inductions to the Project Management Office and the Project Management Framework do not appear to be held regularly.

There is some evidence of tools used for collecting and analysing resource utilisation though this is not used in higher level planning for resources.

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[21] OGC, 2010, http://www.p3m3-officialsite.com/nmsruntime/saveasdialog.asp?lID=458&sID=166, page 20, accessed 20/10/10

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### 4.6.8 Project generic attributes (assessed at level 2)

Generic Attributes Score (Level 2)

- **Roles and Responsibilities (level 2)** - There was evidence of centrally defined roles and responsibilities but not consistent application.

- **Experience in Project Management (level 3)** - In most cases it was expressed that Project Managers have the right experience and track record for the projects they are undertaking.

- **Capability development (level 2)** – There was evidence of project management training and forums for Project Managers to exchange views and share experiences.

- **Planning and estimating processes (level 2)**. – Plans were often developed using standard templates but to differing levels of effectiveness and in a number of cases were not well thought out or complete.

- **Information and documentation (level 3)**. – All of the projects discussed in the interviews used TRIM for document control, although there were some minor variations in how it was utilised. Most project documentation contained some form of configuration control.

- **Scrutiny and review**. **(level 2)** – There was evidence of significant local review within projects, but limited independent review or assurance.

APPENDIX A – P3M3 OVERVIEW

P3M3 is an overarching model containing three sub-models, Portfolio Management Maturity Model (PfM3), Programme Management Maturity Model (PgM3) and Project Management Maturity Model (PjM3);
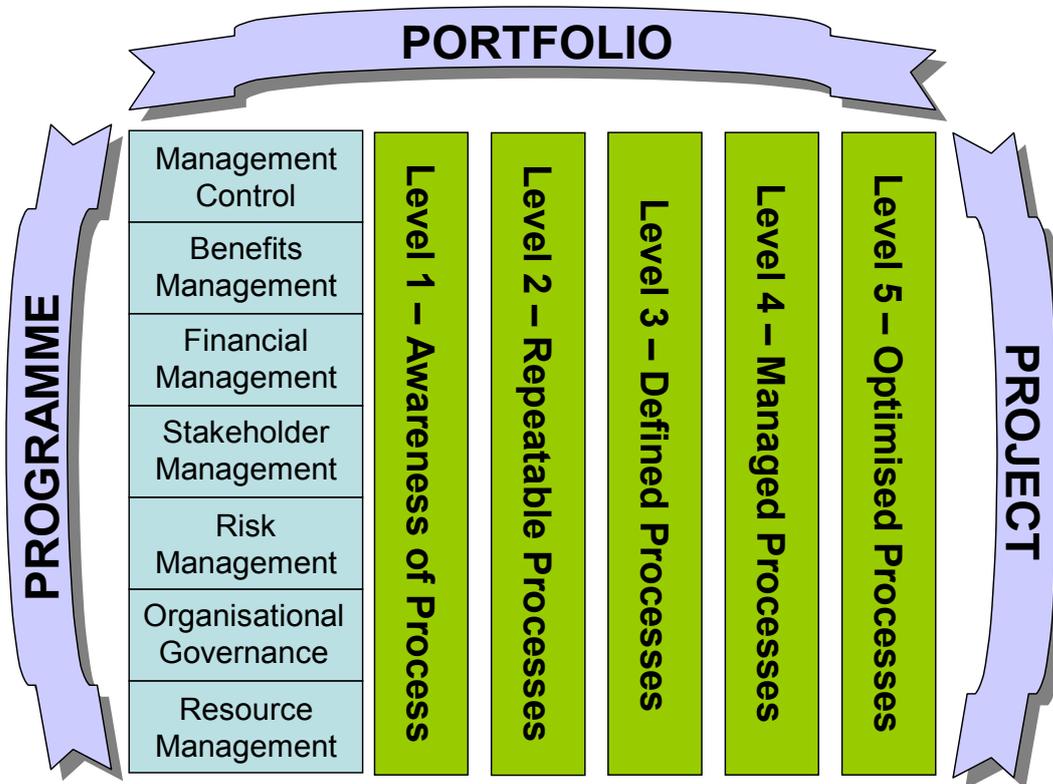
For each of the three sub-models P3M3 examines up to 7 different process perspectives (Management Control, Benefits Management, Financial Management, Stakeholder Management, Risk Management, Organisational Governance and Resource Management). Within each perspective 5 levels are used to describe maturity, these levels can be applied independently within each model, or across all three to assess overall P3M3 maturity.

3 Sub-models

Portfolio Management

The totality of an organisation's investment (or a segment thereof) in the changes required to achieve its strategic objectives. Portfolio Management describes the management of an organisations portfolio of business change initiatives.

Programme Management

Programmes exist to manage the complexities involved in delivering beneficial change. Programme Management is focussed on the areas of tension between strategic direction, project delivery and operational effectiveness.

Project Management

A project is a unique set of coordinated activities, with definite starting and finishing points, undertaken by an individual or team to meet specific objectives within defined time, cost and performance parameters as specified in the business case. Project Management

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guides a project through a visible set of activities, from controlled start-up, through delivery, to controlled closure, and review.

7 Process Perspectives

1. Management Control

This covers the internal controls of the initiative and how direction is maintained throughout its life cycle, with appropriate break points to enable it to be stopped or redirected by a controlling body if necessary. Best practice is characterised by clear evidence of leadership and direction, scope, stages, tranches and review processes during the course of the initiative.

2. Benefits Management

This ensures the desired business outcomes are clearly defined, measurable and ultimately delivered through a structured approach. Best practice recommends that benefits are assessed and approved by the organisational areas that will deliver them. Benefit dependencies and other requirements should be clearly defined, and understanding gained on how the initiative's outputs will deliver the benefits.

3. Financial Management

This ensures that likely costs are captured and evaluated in a formal business case and are categorised and managed over the investment life cycle. There should be appropriate involvement from the organisation's financial functions, with approvals being embedded in the broader organisational hierarchy. Best practice suggests that a business case should define the value of the initiative to the business and contain a financial appraisal of the possible options.

4. Stakeholder Management

Best practice suggests that both internal and external stakeholders are analysed and engaged in order to achieve the initiative's objectives. Stakeholder Management includes communications planning, the effective identification and use of different communications channels, and techniques to enable objectives to be achieved.

5. Risk Management

This views the way in which the organisation manages threats to, and opportunities presented by, the initiative. Risk Management maintains a balance of focus on threats and opportunities, with appropriate management actions to reduce or eliminate the likelihood/impact of any identified threat.

6. Organisational Governance

This looks at how the delivery of initiatives are aligned to the organisation's strategic direction, including start-up, closure and during the initiative's lifecycle. This perspective looks at how the impact of external factors might be controlled/mitigated, as opposed to Management Control, which considers how internal control is maintained.

7. Resource Management

This covers management of all resources required for delivery, including human resources, buildings, equipment, supplies, information, tools and supporting teams. A key element is the process for acquiring resources and how supply chains are utilised to maximise their effective use. In best practice there will be evidence of capacity planning and prioritisation to enable effective resource management.

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5 Maturity Levels

Maturity Level 1 - Awareness of Process

- Processes are not usually documented, actual practice is determined by events or individual preferences, and performance is variable.

- Successful initiatives are often based on key individuals' competencies rather than organisation-wide capability and past successes can not be repeated consistently.

- Processes are undeveloped or incomplete. There is little or no guidance or supporting documentation and even terminology may not be standardised.

Maturity Level 2 - Repeatable Processes

- Basic management practices, e.g. tracking expenditure and scheduling resources, are in place and being improved. Key individuals are trained and demonstrate a successful track record and through them, the organisation is capable of repeating success.

- Initiatives are performed and managed according to their documented plans; project status and delivery is visible to management at defined points.

- There may still be inadequate measures of success; unclear responsibilities; ambiguity/inconsistency in business objectives; unintegrated Risk Management; limited Change Management; and inadequacies in communications strategy.

Maturity Level 3 – Defined Processes

- Management and technical processes are documented, standardised and integrated to some extent with business processes. There is some process ownership and a group responsible for maintaining consistency and delivering process improvements.

- Senior management are engaged consistently, providing active and informed support.

- There is an established training programme to develop individual's skills and knowledge.

Maturity Level 4 – Managed Processes

- The organisation has defined processes that are quantitatively managed, i.e. controlled using metrics. There are quantitative objectives for quality and process performance, and these are being used in managing processes.

- Top management are proactively seeking out innovative ways to achieve goals.

- Using metrics, management can effectively control processes and identify ways to adjust and adapt them to particular initiatives without loss of quality.

Maturity Level 5 – Optimised Processes

- There is focus on optimisation of quantitatively managed processes to account for changing business needs. The organisation exhibits continuous process improvement, and can show strong alignment of organisational objectives with business plans.

- Top managers are seen as exemplars, reinforcing the need and potential for capability and performance improvement.

- Information from process and product metrics enables the organisation to understand causes of variation and to optimise its performance.