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30 March 2004

Dear Accounting Officer

DAO(GEN)07/04

DELIVERING SUCCESS IN GOVERNMENT ACQUISITION-BASED PROGRAMMES & PROJECTS

Summary and Purpose

The purpose of this letter is to advise Accounting Officers:

- that procedures introduced in January 2003 by the Office of Government Commerce to improve the delivery of IT-enabled programmes and projects are now extended to all acquisition-based programmes and projects;
- that, as a result, the responsibilities of Accounting Officers outlined in DAO (GEN) 01/03 to assure their major¹ IT-enabled projects against common causes of project failure are now extended to cover all major acquisition-based projects.

The list of common causes of project failure against which Accounting Officers are asked to assure their projects has been updated by OGC and NAO to reflect this broadening of scope and is enclosed at Annex 1.

Action and Contacts

2. Accounting Officers are asked to:
 - a. note the expansion of scope of the procedures introduced in 2003 from IT-enabled to acquisition-based.

¹ A Major Project is defined as one that scores 41 or more on the Gateway Risk Potential Assessment or is prioritised as Mission Critical.



- b. ensure, from the date of this letter, that all Mission Critical and High Risk acquisition-based projects do not suffer from any of the common causes of failure as identified by the OGC and NAO.
 - c. draw this letter to the attention of appropriate staff in their departments and Executive Agencies, to the attention of the Chair of their Audit Committee, and to the attention of staff in their NDPBs.
 - d. note that enquiries about the actions described above should be addressed to the OGC Service Desk on 0845 000 4999, ServiceDesk@ogc.gsi.gov.uk.
3. DAO (GEN)01/03 detailed six actions agreed by Ministers to strengthen the delivery of IT-enabled Government programmes and projects. Ministers decided in December 2003 that these actions will apply to all acquisition-based programmes and projects. The revised actions are:
- a. Departmental Programme/Project Management Centres of Excellence to cover all acquisition based, and all mission critical and/or high risk programmes/projects, including agencies and NDPBs.
 - b. Accounting Officers to provide assurance on all mission critical and high-risk acquisition-based projects, that they do not suffer from the common causes of failure identified from OGC and NAO experience.
 - c. Mandate no big-bang implementations and developments (i.e. mandate modular, incremental implementations and developments) for IT-enabled programmes and projects, unless approved by central scrutiny group (Chief Secretary to the Treasury, Minister for e-Transformation, OeE, OGC).
 - d. No government initiative (including legislation) dependent on IT to be announced before analysis of risks and implementation options has been undertaken.
 - e. Prioritise all acquisition-based programmes and projects as Mission Critical, Highly Desirable or Desirable.
 - f. All mission critical and high risk acquisition-based programmes and projects, to have a clearly identified: (i) responsible Minister and (ii) Senior Responsible Owner, and Project Manager, with good, relevant track records.

Next Steps

4. The arrangements developed for confirming Accounting Officer assurance of IT-enabled projects will now extend to encompass other acquisition-based projects. OGC

advises that following a Gateway 1 review of a Mission Critical or High Risk acquisition-based project, Accounting Officers should satisfy themselves that the project does not suffer from any of the common causes of failure. Having done so, a signed note to this effect should be placed on the relevant project file

5. Where Mission Critical and High-Risk acquisition-based projects have already completed a Gateway 1 review (business justification), but have not gone live, this assurance check should be completed by **1 May 2004**

6. The Gateway criteria are being amended so that subsequent Gateway reviews will check for the existence of the appropriate record. The absence of such a record will result in an automatic Gateway recommendation that the project should not proceed until this requirement has been met.

7. Separate guidance is being issued to Departmental Centres Of Excellence to cover these new arrangements.

8. This letter replaces DAO (GEN) 01/03, which is hereby cancelled.

Yours sincerely

Brian Glicksman
Treasury Officer of Accounts

NAO/OGC AGREED LIST OF COMMON CAUSES OF PROJECT FAILURE

1. Lack of clear link between the project and the organisation's key strategic priorities, including agreed measures of success.
2. Lack of clear senior management and Ministerial ownership and leadership.
3. Lack of effective engagement with stakeholders.
4. Lack of skills and proven approach to project management and risk management.
5. Too little attention to breaking development and implementation into manageable steps.
6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).
7. Lack of understanding of and contact with the supply industry at senior levels in the organisation.
8. Lack of effective project team integration between clients, the supplier team and the supply chain.

QUESTIONS TO ASK

1. **Lack of clear link between the project and the organisation's key strategic priorities, including agreed measures of success.**
 - Do we know how the priority of this project compares and aligns with our other delivery and operational activities?
 - Have we defined the critical success factors (CSFs) for the project?
 - Have the CSFs been agreed with suppliers and key stakeholders?
 - Do we have a clear project plan that covers the full period of the planned delivery and all business change required, and indicates the means of benefits realisation?
 - Is the project founded upon realistic timescales, taking account of statutory lead times, and showing critical dependencies such that any delays can be handled?
 - Are the lessons learnt from relevant projects being applied?
 - Has an analysis been undertaken of the effects of any slippage in time, cost, scope or quality? In the event of a problem/conflict at least one must be sacrificed.
2. **Lack of clear senior management and Ministerial ownership and leadership.**
 - Does the project management team have a clear view of the interdependencies between projects, the benefits, and the criteria against which success will be judged?

- If the project traverses organisational boundaries, are there clear governance arrangements to ensure sustainable alignment with the business objectives of all organisations involved?
- Are all proposed commitments and announcements first checked for delivery implications?
- Are decisions taken early, decisively, and adhered to, in order to facilitate successful delivery?
- Does the project have the necessary approval to proceed from its nominated Minister either directly or through delegated authority to a designated SRO?
- Does the Senior Responsible Owner (SRO) have the ability, responsibility and authority to ensure that the business change and business benefits are delivered?
- Does the SRO have a suitable track record of delivery? Where necessary, is this being optimised through training?

3. Lack of effective engagement with stakeholders.

- Have we identified the right stakeholders?
- In so doing, have we as intelligent customers, identified the rationale for doing so (e.g. the why, the what, the who, the where, the when and the how)?
- Have we secured a common understanding and agreement of stakeholder requirements?
- Does the business case take account of the views of all stakeholders including users?
- Do we understand how we will manage stakeholders e.g. ensure buy-in, overcome resistance to change, allocate risk to the party best able to manage it?
- Has sufficient account been taken of the subsisting organisational culture?
- Whilst ensuring that there is clear accountability, how can we resolve any conflicting priorities?

4. Lack of skills and proven approach to project management and risk management.

- Is there a skilled and experienced project team with clearly defined roles and responsibilities? If not, is there access to expertise, which can benefit those fulfilling the requisite roles?
- Are the major risks identified, weighted and treated by the SRO, the Director, and Project Manager and/or project team?
- Has sufficient resourcing, financial and otherwise, been allocated to the project, including an allowance for risk?
- Do we have adequate approaches for estimating, monitoring and controlling the total expenditure on projects?
- Do we have effective systems for measuring and tracking the realisation of benefits in the business case?
- Are the governance arrangements robust enough to ensure that “bad news” is not filtered out of progress reports to senior managers?
- If external consultants are used, are they accountable and committed to help ensure successful and timely delivery?

5. Too little attention to breaking development and implementation into manageable steps.

- Has the approach been tested to ensure it is not ‘big-bang’ for example in IT-enabled projects?
- Has sufficient time been built in to allow for planning applications in Property & Construction projects for example?
- Have we done our best to keep delivery timescales short so that change during development is avoided?

- Have enough review points been built in so that the project can be stopped, if changing circumstances mean that the business benefits are no longer achievable or no longer represent value for money?
- Is there a business continuity plan in the event of the project delivering late or failing to deliver at all?

6. Evaluation of proposals driven by initial price rather than long-term value for money (especially securing delivery of business benefits).

- Is the evaluation based on whole-life value for money, taking account of capital, maintenance and service costs?
- Do we have a proposed evaluation approach that allows us to balance financial factors against quality and security of delivery?
- Does the evaluation approach take account of business criticality and affordability?
- Is the evaluation approach business driven?

7. Lack of understanding of and contact with the supply industry at senior levels in the organisation.

- Have we tested that the supply industry understands our approach and agrees that it is achievable?
- Have we asked suppliers to state any assumptions they are making against their proposals?
- Have we checked that the project will attract sufficient competitive interest?
- Are senior management sufficiently engaged with the industry to be able assess supply-side risks?
- Do we have a clear strategy for engaging with the industry or are we making sourcing decisions on a piecemeal basis?
- Are the processes in place to ensure that all parties have a clear understanding of their roles and responsibilities, and a shared understanding of desired outcomes, key terms and deadlines?
- Do we understand the dynamics of industry to determine whether our acquisition requirements can be met given potentially competing pressures in other sectors of the economy?

8. Lack of effective project team integration between clients, the supplier team and the supply chain.

- Has a market evaluation been undertaken to test market responsiveness to the requirements being sought?
- Are the procurement routes that allow integration of the project team being used?
- Is there early supplier involvement to help determine and validate what outputs and outcomes are sought for the project?
- Has a shared risk register been established?
- Have arrangements for sharing efficiency gains throughout the supply team been established?

If any of the answers to the above questions are unsatisfactory, an acquisition-based project should not be allowed to proceed until the appropriate assurances are obtained.

Explanatory Notes

- An acquisition-based project is one which has a significant element dependent on the supply of goods and/or services by a third party supplier or suppliers. Whilst it is not essential for the goods or services to be provided by a single supplier, the contribution of the third party supplier or suppliers should be considered significant if a failure to deliver on their part attracts public criticism.
- A high-risk project is one which scores 41 or more against OGC's Gateway Risk Potential Assessment framework.
- A project is defined as a unique set of co-ordinated activities with a finite duration, defined cost and performance parameters and clear outputs to support specific business objectives.
- By value for money is meant "the optimum combination of whole-life cost and quality, fitness for purpose to meet user requirements" (Government Accounting).