



**Finance
& Services**

Project Management Guideline

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1. Introduction

This Guideline was developed to promote an understanding of the key requirements for the successful management of a project. While the concepts and issues discussed in this Guideline are primarily intended to promote improved management of information and communications technology (ICT) projects, they can equally be applied to other projects.

ICT Projects may involve applications, infrastructure, supporting technologies, information management, and telecommunications projects, including the acquisition and/or maintenance of telephone, radio and network infrastructure. A project is a discrete initiative that is undertaken by an organisation to meet a business need. Projects are typically complex and have a number of different, but inter-related activities.

This Guideline should be read in conjunction with the Government Strategic Planning and related Guidelines, particularly NSW Treasury's Business Case Guideline, Benefits Realisation, Change Management and Project Risk Management.



2. Objectives and Scope of Guideline

Each year organisations, including Government agencies, invest significant funds on projects. Well-managed projects are most likely to be successful and not experience delays and budget overruns.

Senior management is ultimately accountable for all expenditure within an agency, including expenditure on projects. However, management does not always have a full appreciation of the issues related to a project and relies on professionals for advice and guidance.

This Guideline does not attempt to define the elements of the project lifecycle or to provide a project management methodology, but it does provide guidance on best practice in the management aspects of projects. It describes what senior management should expect to occur on a project, regardless of its size, and the questions to ask at each stage of the project.

The life cycle for a project begins with the development of a concept for investment in ICT. It concludes with a Post Implementation Review to assess whether the expected Business Benefits of the project were realised. The scope of this Guideline is best practice in project management from the initiation of the project through to the completion of the implementation of all planned components.

This guideline also outlines best practice in Quality, Change and Project Risk Management within a project.

2.1 Concepts

Project management is the process used to deliver a project's end product on time, within budget, according to specification and at a level of quality that meets professional standards and management expectations. Project management must be effectively applied to a project from the day it starts.

Management of a project involves a different set of issues and requires a different skill set to the management of the daily operations of an agency's services. A project is normally less predictable, more subject to change and has a longer planning horizon than the delivery of daily ICT services.

To be successful, a project must have:

- **A Clearly Defined Business Objective:** The business objective must be defined in the project's Business Case and be formally approved by senior management. Expected benefits must be clearly specified and broken down into identifiable and measurable elements in a detailed Benefits Realisation Register.
- **A Partnership Approach:** A project is a partnership between the business unit that requests the project and the ICT staff assigned to the project. Projects should be considered to be business initiative with an element of ICT rather than ICT initiatives that will support the business.
- **A Project Sponsor:** Ownership of, and accountability for, a project must rest with the Project Sponsor. The Project Sponsor is the owner and "champion" of the project and should be the individual with the greatest vested interest in the outcome of the project.
- **The Support of Senior Management:** The role of senior management on a project will vary according to its scale and complexity. Senior management will normally monitor progress in projects that are fundamental to the operations of the agency or which require significant levels of investment.



- **Regular Progress Reporting:** Reports on a project's progress should be available for senior management and other interested parties, on a regular basis. Normally this reporting occurs at least monthly, however, in critical project phases this frequency may be increased to weekly. The progress reports must provide management with a working understanding of the overall project plan and the progress made against it.
- **Consistent Progress Reporting:** The project reporting format within an agency should remain consistent across all projects undertaken by an agency.
- **A Proven Project Management Methodology:** An agency should have a preferred project management methodology that provides detailed practices and procedures for the implementation of best practice as described in this Guideline. Use of a single methodology by an agency should provide consistency across its projects in areas such as management approach, documentation standards, quality management and project reporting.
- **Benefits Realisation:** Planning and organising for the delivery of benefits must start as early as possible in the project life cycle. (See NSW Treasury's Business Case Guidelines and Benefits Realisation Guideline)

2.2 Key Issues

- If internal or external influences make it clear that a project will not meet its business objectives, or if it becomes apparent that a project will significantly exceed its time or cost estimates, it is the responsibility of senior management to **reassess the project**. The business case for the project will need to be reviewed and revised by its sponsor. If insufficient justification is found for the project to continue, it should be stopped.
- The concepts and issues set out in this Guideline are applicable to **all projects** regardless of their size or complexity.
- Given the current rate of technological change and the potential rate at which an agency's business environment can alter, it is not advisable to initiate a large scale project that runs for many years and has one major deliverable. Large projects should be undertaken on a **phased or modular basis**, with manageable deliverables at the conclusion of each phase or module.
- Successful projects typically have **high levels of user participation** through measures such as membership of the project team or user focus groups.
- Projects must have a **well defined structure** with the roles and responsibilities of all participants clearly documented. In particular, the project's sponsor must be identified and this individual must assume ownership of, and ultimate accountability for the project.
- The **business objectives** of a project with an extended duration should be periodically reviewed and formally reconfirmed with the project's sponsor.
- **Contracting** can be an effective approach for providing an agency with the resources it requires to complete a project successfully. This includes obtaining project management skills and experience. However, the agency must retain overall responsibility for and control over the project.
- Use of a **project management methodology** does not guarantee that a project will be well managed. The methodology must be applied by experienced project managers and the project team members must be adequately trained in its use.



- A project's level of **risk** will quickly grow as the percentage of **custom development of hardware or software** increases. Management should ensure that a compelling argument exists for a development approach in preference to the acquisition of a packaged solution before approving the project.
- Any abnormally high levels of **project team turnover** should be monitored closely, particularly if it occurs at senior levels within the project team.
- It is essential that appropriate and business resources are assigned to, and retained by, a project throughout its life cycle.

2.3 Aspects

There are seven major aspects of project management:

- **Management Planning.** When the project is initiated, Management Planning is conducted to develop a Management Plan, define the Project's Scope, and define the Structure of the Project.
- **Project Management.** Throughout the course of the project, the key project management activities of work planning, resource management, project control, project reporting and communication are conducted.
- **Project Completion.** The project has a pre-defined and easily identified end point where the components move from implementation phase to live operations.
- **Quality Management.** A formal Quality Plan is developed and used to guide the implementation of an independent quality assurance framework that monitors the quality of all project deliverables and assists in ensuring that the project's expected benefits are realised.
- **Project Risk Management.** The initial project risks are identified and action to manage those risks is documented in the Project Risk Management Plan. The Project Risk Management Plan also documents the mechanisms that will be used to identify and address other risks as they arise throughout the course of the project. (See Project Risk Management Guideline)
- **Change Management.** A Change Management Plan is developed to manage the organisational change that is associated with the project. The plan is based on effective marketing of the project and the building of a partnership between the project team and the user community. (See Change Management Guideline)
- **Benefits Realisation.** A Benefits Realisation plan or register is first developed in the business case. The plan is based on the need to identify benefits early, the need to get commitment from the business sponsors to the potential benefits, and the need to provide a structured approach to benefits realisation that can be followed in parallel with the system acquisition and implementation. (See Benefits Realisation Guideline).

The objectives and nature of each of these aspects of project management are discussed individually in the following sections.



3. Management Planning

The initiation of a project is a critical point. Clearly defining the project's scope and adequate planning are critical to the successful delivery of any project.

Management planning involves selecting the most appropriate options for setting up the project. When evaluating these options constraints such as resource availability, timing, organisational capabilities and cost should be considered. The project's Business Case should broadly identify the project's scope and known constraints. (See NSW Treasury's Business Case Guideline) This provides the basis for management planning.

The three core activities of Management Planning are the development of the:

- Management Plan;
- Project Scope; and
- Project Structure.

A number of other plans are also developed during the management planning phase including the Quality Management, Change Management, Project Risk Management and Benefits Realisation Plans.

3.1 Management Plan

Projects need planning to:

- Reduce risk by anticipating, evaluating and developing strategies for the management of problems arising during the project;
- Provide a formal structure against which progress can be evaluated;
- Provide a mechanism for involving a wide variety of interested parties or stakeholders in the project;
- Develop a budget and time-table which enables the commitment of resources at appropriate points in the project; and
- Provide contingency plans to cater for a change of corporate focus or significant project difficulties.

A project should have two levels of project planning, the Management Plan and the Work Plan (or detailed task plan). The Management Plan has a wide audience and must be easily understood by business and ICT staff, while the Work Plan is generally the detailed task plan used for the day to day control of the project.

The Management Plan focuses on "**what**" has to be achieved in the project while the Work Plan focuses on "**how**" to achieve the results identified in the Management Plan. The Management Plan is used by all involved in the project, that is both Business Managers and the Project Team, to measure progress throughout the project.

Typically, the Management Plan documents the:

- Objectives, scope and expected benefits of the project;
- Project management methodology to be used;
- Structure of the project (see Section 3.3);
- Initial high level project plan that identifies phases, milestones and the expected duration of the project;



- Provisional milestone dates, which are reviewed and reassessed during the development of the Work Plan; and
- Dependencies between phases and between project deliverables.

3.2 Project scope

A clearly defined project scope will ensure that all stakeholders share a common view of what is included within the project. A clear project scope will assist in **managing expectations** within the agency of what a project will deliver and is an essential requirement for measuring the success of the project.

The **business objectives** of a project provide the starting point for defining its scope. The business objectives that are defined in the project's Business Case (see NSW Treasury's Business Case Guidelines) are reviewed and confirmed with the Project Sponsor to ensure that the project's scope is appropriate.

A project's scope is normally defined in terms of the:

- Business functions that the deliverables of the project will support;
- Users of the project's deliverables; and
- Technology that will be acquired such as broad classes of hardware, application software and communications equipment.

For clarity, it can be just as important to define what a project's scope does **not** include.

When setting the scope of a large project it may be appropriate to divide it into sub-projects to reduce its complexity and to allow a **phased implementation** of its deliverables. However, care should be taken to ensure that a project is not needlessly fragmented into sub-projects which may increase the complexity of managing the overall project.

The scope of a project may need to be altered to reflect changes in business objectives or technical developments during the project. The project's control mechanisms must provide a formal process for managing these changes. Changes in the scope of the project should be infrequent and any significant changes to the scope could **jeopardise** the success of the project. If changes in scope are either frequent or significant then the justification and objectives of the project should be reassessed.



3.3 Project Structure

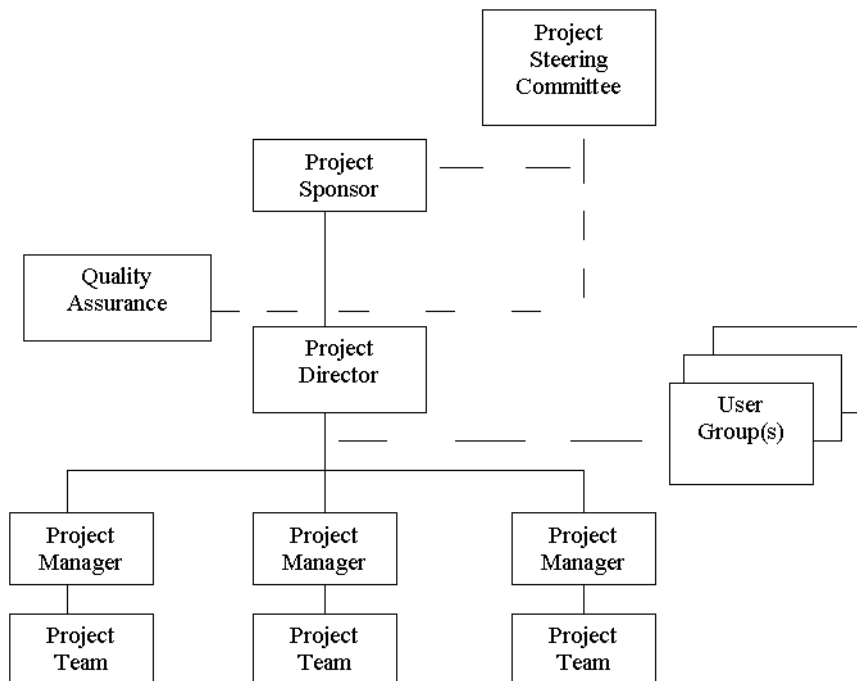


Figure 1: A multi-level project structure is used with the involvement of a range of management and user staff.

All projects should have a clearly defined structure that identifies the roles, authorities and responsibilities of all participants. An effective structure will assist with the management and control of the project and will foster appropriate levels of participation by management, user representatives and professionals. The project's structure must clearly identify its sponsor.

The optimum structure for a project will vary based on the size, nature and complexity of the project. A large and complex project will, as shown in Figure 1, have a multi-level structure with the involvement of a range of management, and user staff. Management positions within the project structure, such as team leader and project manager, should have no more than five or six staff reporting to them.

All projects, with the exception of some small projects that involve less than one to two months of effort, should have a formal Steering Committee that:

- Is chaired by the project's sponsor;
- Includes senior representatives from each of the business units affected by the project;
- Either includes the project manager or has the project manager in attendance at Steering Committee meetings;
- Includes at least one member with an ICT background who is independent of the project team; and
- Includes, where necessary, other specialists from disciplines such as audit and change management.
- A large project may have a number of sub-projects, each with their own Project



- Manager who reports to the Project Director. For example:
- One project team may be responsible for the development of application software;
- Another may be responsible for the implementation of technical infrastructure; and
- A third may focus on change management issues associated with the implementation of the new system.

The project's structure should also emphasise the independence of the quality assurance function. The quality assurance function should report directly to the project's Steering Committee on issues in relation to quality management.

The Project Structure must also ensure that the project has an appropriate level of user participation. The two most common forms of user participation are assigning user representatives to the project team and forming user groups which provide input throughout the project. User representatives will normally validate and sign-off on project deliverables.



4. Project Management

Work planning, resource management, project control and reporting and communication are aspects of project management that occur continuously throughout the project life cycle. The key activities conducted in each of these areas are discussed in the following sections.

4.1 Work Planning

A project must have a single integrated Work Plan covering its initiation through to its formal completion. Projects which have separate work plans for major phases normally do not adequately consider the dependencies between activities and this can lead to delays and cost overruns.

Work planning defines the **detailed tasks** that are required to achieve the outcomes documented in the Management Plan. Work planning is the responsibility of the project manager.

While there should be little change to a project's Management Plan, work planning is a **continual process** with the Work Plan reviewed and revised at the start of each phase in the project.

As the project progresses, the accuracy of each revision to the Work Plan should increase due to the knowledge gained on the completed tasks.

Each revision made to a Work Plan must be extrapolated through to the end of the project. If the effects of a change in the Work Plan are not carried beyond the end of the phase in which it occurs, the estimated completion date for the project will quickly become unrealistic.

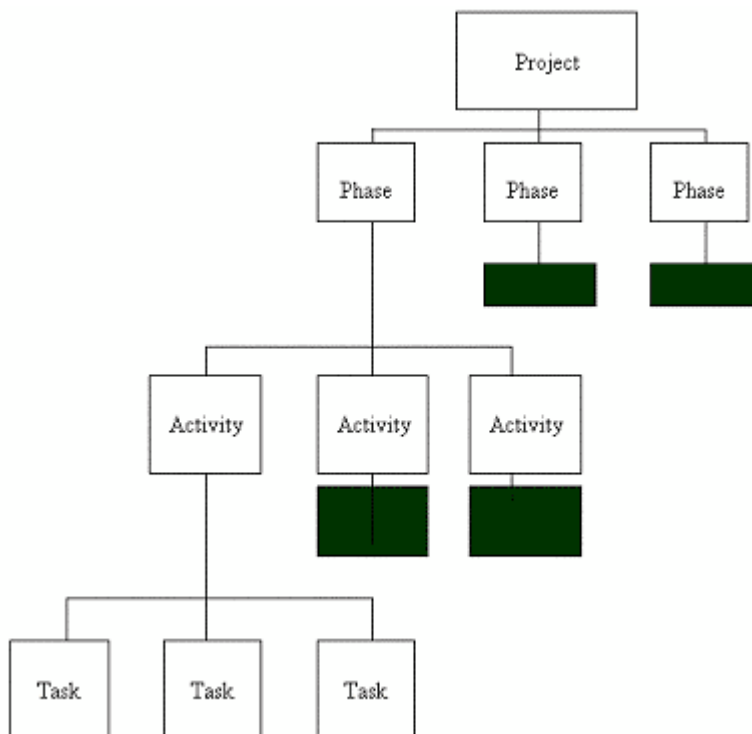


Figure 2: The Work Plan breaks the project down into phases, activities and tasks.



As Figure 2 illustrates, the Work Plan breaks the project down into **phases, activities and tasks**. For example, a phase might be the conversion of data to a new system, an activity might be the development of the programs to convert the data and the design of one of those conversion programs would be a task.

The work plan should identify for each task:

- A **description** of the task, its tangible result and a measurable deliverable;
- The **dependencies** of the task on other tasks in the project;
- The **skills** required for the task;
- Work **content** and level of **effort** (usually a maximum of five days) that is estimated for the task;
- The scheduled **start** and **finish** date; and
- The **resources** that have been assigned to the task.

Work Plans can be complex to revise and administer and are usually maintained using project management software.

The Work Plan should include allowances for project **overheads** such as holidays, training of project team members and travel. It should also include **contingencies** for events such as task overruns, unexpected meetings, error correction, sickness and the impact of staff turnover. As a guide, contingency of between 10% to 20% should be included within the Work Plan depending on the scope of the project.

4.2 Resource Management

A project typically requires a mix of technical and business skills. It is the responsibility of the project's Steering Committee or Sponsor to ensure that **adequate resources** are available throughout the project.

All projects need a high level of **user involvement** if they are to meet their business objectives. It is essential that the user representatives on the project are released from their normal duties so they can provide the required level of effort. Action should be taken to reduce any impact on the business due to the loss of resources to the project.

The user representatives must have a good **knowledge** of the **business**. Often this requires the most experienced and valuable staff members within a business unit to be assigned to the project. The selection of user representatives must **not** be based on who is available or who is least needed by the business.

The detailed Work Plan will identify the **resource requirements** of each task. Business resources normally are drawn from within the agency while technical resources can either be obtained from within the agency or through external sources such as a contractor.

The project sponsor must ensure that the **project manager** has an appropriate level of skills and experience, and it may be necessary to provide formal training. Alternatively, an external resource can be contracted to manage the project. External resources may also be required if a project is based on technologies in which the agency has limited experience.

Appropriate resources may be able to be sourced from other agencies that have implemented similar projects.

Use of external resources to supplement the skills required for a project can increase the complexity of managing the project. Full **contracting out** of discrete components of a project, such as software development, can assist to reduce this complexity.

Where external resources are used on a project, care must be taken to ensure that the project team is unified and that an "us and them" attitude does not develop. The project's



internal and external resources must work closely together and this will also promote the transfer of skills to the agency's staff.

4.3 Project Control

Primary responsibility for a project rests with the Project Sponsor while the day to day management of the project is the responsibility of the Project Manager.

The effectiveness of the control over a project is directly related to the quality of the **reporting and communication** within the project team and between the project team and the Project Steering Committee. If the Project Manager does not know what is happening both within and externally to the project then he/she cannot control the project.

The control over a project is most effective when:

- **Objective data** is collected on the project's progress. Normally this will require the recording of activity by project team members on each project task.
- A formal process is developed for the **review** of task **deliverables** and the level of effort spent by project team members on each deliverable. This will ensure that deliverables are acceptable and that resources are being effectively applied to the project. It also provides the means for a formal task sign off.
- Regular **reporting** of progress against plans results in **corrective action** being taken when necessary to bring the project back on to schedule. These actions and the expected results of the actions should be reflected in an update of the detailed Work Plans.
- **Documentation standards** are set at the start of the project and are enforced throughout all phases.

Internally and externally driven changes will be proposed on all projects and various issues will arise and neither of these situations can be eliminated since they are normal events. The project manager is responsible for **Change Control** and **Issue Resolution**.

Insufficient recognition or ineffective **management of changes** are among the most common reasons for **project failure**. Without a structured change control process, the project may be subject to uncontrolled "scope creep", creating **significant implementation risks**. (See Change Management Guideline for more detailed information).

Due to the **extremely high level of risk** associated with **inadequate project change control**, a written change control procedure must be implemented regardless of the size of the project. The major components of a **change control procedure** are a standard form for raising change requests, a formal log of change requests, an impact analysis procedure, and a formal approval process for changes and the resolution of issues.

4.4 Reporting and Communication

A project's progress must be reported using relevant, factual data in an objective, understandable format. The Project Manager is responsible for preparing the appropriate reports which must provide the Project Sponsor and Project Steering

Committee with a clear picture of the project's status.

Project **reporting** must not be too complex and must be **tailored** to the needs of the individuals to which it is directed. Usually this involves increasing levels of summary as reporting moves up the project structure. For example, project team members need detailed information on the tasks for which they are responsible while the project's Steering Committee requires brief, high level information on the overall status of the project.



Regardless of the size of a project, the Project Manager should produce clear and concise documentation on the project's **progress**. This documentation must be available for review by the Project Sponsor and other interested parties.

A formal report must be produced for the project's Steering Committee meetings which should be held on a monthly basis or at critical points or milestones in the project. Typical contents for a **Steering Committee report** are:

- Status summary;
- Updated Management Plan;
- Summary of project expenditure for the period and the project to date;
- Analysis of variances from the project plans, trends and utilisation of resources;
- Points for management attention;
- Analysis and impact of change requests received;
- Progress against milestones; and
- Milestones to be completed in the next period.

Formal and informal **communication mechanisms** should also be implemented within the project team and between the project team and the user community. Communication methods that can be used to explain progress in the project include project newsletters, project team meetings, briefing sessions for users and videos.

If the users of the new system are geographically dispersed either across a city or across the State, then special care must be taken to ensure that they are well informed about the project and its progress and have sufficient opportunity to participate. It may be necessary for representatives of the project team to travel to the **users** to discuss the project with them and to build their **commitment** to the project.



5. Project Completion

The Project must have a clearly defined end point; otherwise it has the potential to continue indefinitely. There must be a clear point at which a project is completed and its deliverables move from implementation and commence live operations.

A clear scope for the project is a key pre-requisite for defining its end point. It should also be clear what represents the successful completion of the project.

Particular care needs to be taken with the definition of the end point for a project which includes the **development of application software**. Without a clear scope the project can easily be extended to allow additional functionality to be added to the software.

Clear strategies should be developed for the support for any **interim project deliverables**. For example, will the project team maintain these early deliverables or will a support team be formed that will need to liaise closely with the project team over the remainder of the project?

A project does not normally finish when live operation starts. The project will need to be **formally closed down** through tasks such as finalisation of documentation, reconciliation of project costs and performance appraisals, post implementation or post completion reviews and reassignment of project team members. On larger projects, a formal close down report may be prepared.

At the end of a project, the roles and responsibilities of the participants will undergo significant change and these changes must be recognised and planned for. **Project team members** must not be allowed to leave the project until their knowledge of the project has been captured through appropriate documentation and transfer of appropriate skills to the business unit.

Agency staff who have been assigned to the project must be provided with acceptable options for their **reassignment**. Many of these staff will have developed new skills and career aspirations as a result of the experience they have gained on the project. They will now be more valuable resources for the agency and their knowledge of the project's deliverables may be essential for the support of the deliverables.

During large projects, users can develop a real or perceived **dependency** on the project team. This can increase the difficulty of the transition from development to support and careful planning is required, particularly if key members of the project team are from outside the agency.

Usually a final Benefits Realisation Review cannot be effectively conducted until some time after a project is completed. However, at the close of a project it should be possible to determine whether the outcome or deliverable meets the project's objectives, which benefits have been achieved and which are still to be realised. (See Benefits Realisation Guideline for more detailed information) It may also be appropriate to assess the effectiveness of the management of the project and the technologies applied to it. The knowledge gained from this assessment will be beneficial to future projects that are undertaken by the agency.



6. Quality, Change and Project Risk Management

Effective Quality Management, Change Management and Project Risk Management practices play a key role in ensuring the success of a project. Benefits Realisation is equally as important to the successful outcome of a project.

This section provides an outline of these practices only as more detailed information can be found in the individual Guidelines.

6.1 Quality Management

Quality Management is the process of ensuring that a project's deliverables are produced:

- According to specifications and standards;
- To users' needs and expectations;
- On time;
- Within budget; and
- In a manner that is perceived by the business as successful.

There are four major activities in Quality Management:

- Developing a **Quality Plan** which identifies the standards and guidelines that will be used to plan, manage, staff, control and deliver the project effectively.
- Establishing the **quality assurance framework** and the structure that will be used to manage the project's quality. The independent quality review for a project may be the responsibility of a dedicated quality assurance team or may be provided by an agency's quality assurance unit. Larger projects may receive independent quality reviews from more than one source.
- Conducting **quality control activities** through tasks such as reviews and testing. These reviews and tests are conducted at quality control checkpoints throughout the project and are tied to the deliverables of one or more of the project tasks.
- Implementing corrective actions to address any defects or non - conformities with the requirements of the Quality Plan.

6.2 Change Management

Management of change must be an area of focus from the first day of any project the identification of sources of potential resistance and the development of a plan to manage that resistance is essential if the project's risks are to be reduced and the likelihood of successful implementation increased.

The five major activities in the Change Management process are:

- Key change **management roles are** identified such as the change sponsor, change agents and change targets (users).
- Effective **project sponsorship** is built and maintained through activities such as educating sponsors on their role and optimising the use of their time on the project.
- **User commitment is** built through effective project communications which ensure that user expectations of the project remain in line with reality.



- **Resistance** to the business process changes associated with the project is recognised and managed. If the project is viewed by users to be the cause of the change, resistance is generally higher. The project should be marketed as providing support for a pre-defined change in business processing.
- **Synergy** is built through **teamwork** to create an atmosphere that allows individuals from different backgrounds and with diverse skills, experience, needs and aspirations to work together.

6.3 Project Risk Management

All projects have some level of risk and while many risks cannot be eliminated, they can be managed and reduced. Project risks are uncertainties, liabilities or vulnerabilities that may cause the project to deviate from the project plan. Project Risk management is a continuous process that begins with management planning and continues to be monitored throughout the project to reduce risks to a manageable level.

There are four major steps in the Project Risk Management process:

- The initial project risks are identified through assessment of the project's objectives and the anticipated implementation approach.
- At the start of each **project phase**, the specific **risks** associated with that phase are identified through steps such as review of the Management and Work Plans and review of the risk profiles of similar projects.
- An **impact analysis** of the risks is performed to determine the relative exposure of the risk in terms of time and cost. The results of the risk impact analysis are documented in a Risk Profile.
- **Project risk management plans** are developed and implemented. Two types of management actions may be adopted:
 - **Preventive** action where the project environment is modified to minimise the identified risk; and
 - **Contingency** action which provides a buffer that will be available to address an unanticipated event.

As risks change during the project, the **Risk Profile** is continuously monitored and updated.

6.4 Benefits Realisation

Benefits Realisation is the process of ensuring that all the benefits that are potentially available from the proposed investment in are identified, quantified and delivered. (See Business Realisation Guidelines for more detailed information)

Planning for the realisation of benefits has to commence at the earliest stage of the acquisition life cycle. This is so because the benefits may rely upon the strategic use of to change the way business processes are run. Benefits realisation will then be an integral part of each stage of acquisition through to and including the day to day operation of the system.

There are seven major steps in the Benefits Realisation process:

- A high level **identification of business benefits**, both quantified and non-quantifiable, should have been included as part of the strategic planning process.
- During preparation of the tactical plan **refine the benefits** of each system in consultation with the users.



- A key part of developing the business case to support a proposed investment should be a comprehensive review to **identify and value benefits and plan for realisation**. Valuation of the benefits will be done in consultation with the business personnel who will eventually be responsible for realising them.
- The project implementation must **incorporate activities and benefits realisation control structures** which have been identified in the benefits realisation plan as being necessary for achievement of the identified benefits.
- As many of the high value benefits will rely on changes to business process for their success it will be necessary to **integrate benefits realisation actions into change management** procedures.
- There should be an independent **audit of compliance against benefits targets** to ensure that the manager responsible for realising the benefits has followed through once the system is up and running.
- A key follow up action to system implementation is the fine adjustment required to ensure that the system continues to meet operational requirements. **Corrective actions to ensure benefits are achieved** should be an integral part of this process.



NSW Department of **Finance and Services**

ICT Policy Branch
McKell Building
2-24 Rawson Place
Sydney NSW 2000
T: 02 9372 8877
F: 02 9372 8640
TTY: 1300 301 181

www.services.nsw.gov.au