

Permanent Secretary
Leslie Evans



Scottish Government
Riaghaltas na h-Alba
gov.scot

T: 0131-244 4026
E: PermanentSecretary@gov.scot

Public Audit and Post-legislative Scrutiny Committee
Room T3.60, The Scottish Parliament
EDINBURGH
EH99 1SP
Email: papls.committee@parliament.scot
(by email)

08 March 2019

Dear Ms Marra,

Thank you for your letter of 5th March 2019, which asks for clarification on the actions that Scottish Government is taking to address governance issues in respect of public sector IT projects. I have sought to address each of the issues raised in your letter in the attached annex.

Please accept my apologies once again for being unable to attend the evidence session on Thursday 14th March 2019.

Paul Johnston, Director General Education Communities and Justice, Michael Chalmers, Director of Children and Families, and Colin Cook, Director Digital, will be attending the session and I am confident that they will be able to explore these issues with the Committee.

Yours sincerely

Leslie Evans

Leslie Evans
Permanent Secretary to the Scottish Government

ANNEX A - PAPLS COMMITTEE MEETING 14 MARCH 2019 - INFORMATION REQUIRED IN ADVANCE OF MEETING

The need to ensure that the preparatory work undertaken on IT projects is thorough and detailed, including having a clear scope, budget and timescale for the programme and assessing and managing the anticipated risks

The Technology Assurance Framework requires Central Government organisations (excluding Health) to register all IT and digital projects, irrespective of value, with the OCIO. The OCIO carries out an initial assessment, based on the information provided, to determine whether more in depth follow up is required.

Mandatory Business Justification Gates are conducted on major projects early in the project lifecycle to ensure the basis for starting the project is sound. The Gate identifies whether the project is addressing user needs, and has a robust outline business case.

Awareness of and use by public sector bodies of existing guidance, good practice materials, tools and checklists that have been developed in relation to managing ICT projects

The Scottish Government website provides a range of guidance, tools and checklists for projects.

The Scottish Public Finance Manual sets out guidance for all major investment projects. This includes the requirement to complete a risk potential assessment and advises that the Investment Decision Maker should issue a formal appointment letter to the Senior Responsible Owner setting out responsibilities.

The Technology Assurance Framework requirements are also outlined on the website and include the requirement for organisations to register their projects with the OCIO; links to the templates for Risk Potential Assessment forms and Integrated Assurance and Approval plans. It also includes guidance on the Digital First Service Standard which sets out the criteria to which new digital public services should adhere. The Standard represents a shift in approach towards an agile way of working which puts users at the heart of service design and which embodies an ethos of continuous improvement. Awareness of the Standard has grown since its introduction in 2017 with 25 individual services already assessed for compliance. While the new approach is bedding in, it is a medium to long term change agenda and requires organisations to develop new ways of working and digital skills.

The difficulties experienced by the public sector in recruiting and retaining staff with the required technical IT skills

Recruiting IT professional staff is difficult for both the public and private sector, as key skills are in scarce supply. The competition with the private sector creates an additional challenge for the public sector to attract staff given the limits on our ability to compete on pay and benefits.

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The Scottish Government has sought to improve its ability to attract and retain specialist staff through its commitment to strengthening the professional skills. It has recently replaced the old ICT profession with a new a new Digital, Data and Technology (DDaT) profession which is better able to reflect the range of skills required to develop and deliver services in the digital world. The new profession provides a comprehensive capability and career framework that standardises roles and skill requirements across organisations. It allows active engagement with staff in career planning and development with define career pathways. Heads of community across the DDaT sector have been appointed to champion talent and development for all component parts of the profession (e.g. technical, IT operations, user centred design).

The Scottish Government's commitment to developing staff is exemplified by the creation of the Scottish Digital Academy. This offers staff the opportunity to develop their skills and, in particular, increase their awareness and working knowledge of agile methodology and user centred service design.

We are also addressing the senior skills shortage by trialling a new Digital Fellowship Programme, under which senior experienced staff from the private sector are asked to work within The Scottish Government (for a period of time), to provide their expertise and knowledge to drive forward improvements and guidance in key areas. A decision on the extension of this scheme beyond the trial period will be made in April 2019.

The need to ensure that smaller projects and smaller public bodies are also subject to a similar governance framework to that developed by the chief information officer.

As described above, The Technology Assurance Framework requires Central Government organisations (excluding Health) to register all IT and digital projects, irrespective of value, with the OCIO. The OCIO carries out an initial assessment, based on the information provided, to determine whether more in depth follow up is required. This approach is considered to be both pragmatic and appropriate.

Over the last year, 200 new projects have been added to the project register. The majority of projects (153) have estimated whole life costs of under £1 million. If each of these projects had undergone a Business Justification Gate, the cost of independent assurance reviewers would be upwards of £1.3 million.

In order to administer this, the OCIO would require to increase in size by up to tenfold or, alternatively, more expensive contractual arrangements would need to be put in place. This would be a potential additional cost of up to £9 million. The additional cost would be greater still if each of these projects was required to undergo further assurance at subsequent points during the project lifecycle.

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Whether and the extent to which smaller bodies are able to access Scottish Government core expertise

Digital expertise is available, on a shared service basis, through Scottish Government's digital directorate. Organisations can approach the directorate for the following services:

- Assessments of digital maturity
- Development and review of digital strategy
- Support for the development of business cases
- Technical Requirements Development and Procurement Support
- Technical Architecture Support
- User Research & Service Design – workshops, facilitated sessions
- Programme management

During 2018, a new Target Operating Model was developed within the Digital Transformation Division. This introduced a new prioritisation process designed to ensure that digital skills are focussed on digital transformation programmes that have the potential to make the most significant impact on the services and operating efficiency of the Scottish Government. At present, 23 organisations / projects are being supported in some way by the service.

The need to ensure that public bodies have the skills to identify when they need to recruit external IT expertise and where to recruit it from

Scottish Government has recently implemented a new recruitment process across all DDaT roles both internally and externally to ensure consistency. This is closely aligned to industry-standard recruitment processes and will improve our ability to attract candidates and to assess them against the technical skills required for our roles. We will continue to develop the approach to ensure we are able to attract the right candidates for the right roles and provide the means for managers to assess candidates against the skills needed.

In addition, the digital directorate offers support for agencies wishing to recruit senior IT staff through, for example, participation in interview and assessment processes. Furthermore, the facility exists to second a member of staff from the digital directorate into a senior level role.

The reasons why public sector bodies are apparently still failing to recognise that IT projects are high risk in terms of governance and skills

Leaders of all public sector bodies are expected to assess the risks associated with IT projects and programmes. Whilst some IT projects are relatively straightforward and low risk, the guidance exists to support the process of risk assessment and identify those projects with a high risk in terms of governance and skills.

In his letter to the Committee of 28th November, Director Digital noted that The Scottish Public Finance Manual (SPFM) was updated in late 2018 to incorporate a broader set of characteristics in the definition of a major investment project. This was intended to help organisations to consider areas of potential risk.

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The definition now describes major investment as usually involving the creation, acquisition, development or maintenance of an asset with a lifespan beyond the current financial year and specifically notes the following characteristics:

- has a total anticipated whole-life cost of £5 million+ inclusive of fees and VAT or is above your delegated authority limits or
- could create pressures leading to a potential overspending on portfolio budgets or
- would entail contractual commitments to significant levels of spending in future years for which plans have not been set or
- could set a potentially expensive precedent or
- will be challenging to deliver within existing resources and capability and/or
- represents a material level of expenditure and/or will have a material ongoing financial impact or
- is novel, and/ or contentious and / or complex or
- could impact on the delivery of a Programme for Government commitment or
- requires primary legislation

The amendments to the SPFM also introduced a formal appointment letter which should be issued by an Investment Decision Maker to a Senior Responsible Owner, setting out roles and responsibilities. This includes the requirement for a Risk Potential Assessment to be completed.

Prior to the introduction of the mandatory technology assurance arrangements two years ago, the level of proactive engagement with the OCIO was low and the currency of project information recorded with the OCIO was poor.

Over the last two years, the OCIO has implemented a process for requesting updates to the project register and the currency of information is considerably improved. The OCIO also has regular engagement with those organisations carrying out major projects or delivering new digital public services. This engagement is enabling the OCIO to have ongoing dialogue with projects about their risk and to gauge the need for mandatory assurance. It is also worth recording that a number of projects have approached the OCIO for voluntary assurance which reflects the improved awareness about risk and the benefits that independent assurance can bring.

Audit Scotland's publication of May 2017 *Principles for a Digital Future: Lessons Learned from Public Sector ICT Projects*, highlighted governance and skills as a recurring issue. The assurance checklists used for major project reviews are aligned to the key principles for success outlined in the publication with both governance and skills specifically covered.

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The variety in support that public bodies are receiving from their respective Scottish Government sponsorship department in respect of IT projects.

Sponsorship teams play a critical role in ensuring that Scottish Ministers' priorities are delivered. Sponsorship should always be considered a strategic activity with arrangements appropriately reflecting the strengths and risks associated with each specific body and the roles and responsibilities of Accountable Officers and Boards.

Scottish Government sponsored bodies undertaking major investment projects must adhere to the guidance in the SPFM. In addition they should ensure that their sponsor units are provided with copies of all relevant progress reports to Investment Decision Makers and Boards. Scottish Government sponsor units must:

- adopt a pro-active approach to ensuring the effective management of projects;
- monitor the progress of relevant projects by careful scrutiny of reports prepared by the SRO / Project Manager;
- intervene immediately if there is a perceived deviation from plans agreed under delegated authority arrangements or if there are any developments that could undermine the viability of the project; and
- in consultation with their Scottish Government Finance Business Partner (or equivalent), keep Portfolio Accountable Officers and Ministers informed as appropriate.

Also as part of the annual Certificate of Assurance exercise which is part of the SPFM, Sponsor teams are required to complete (retrospectively) the exercise to provide the Scottish Government with the required level of assurance that sponsor teams have effective relationships with sponsored bodies covering areas such as relations with Boards, strategic engagement, procurement, and national outcomes and assurance in relation to ICT projects. The link <https://www.gov.scot/publications/scottish-public-finance-manual/certificates-of-assurance/annex-2-internal-control-checklist/> at section 12.9 provides more detailed information.

The Scottish Government appreciate that the Committee's concern is that Audit Scotland reports highlight similar issues across the public sector – where issues relate to the lack of or application of Scottish Government central guidance, this will be followed up by improvements to that guidance with a view to strengthening processes for successful delivery of ICT projects

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St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot