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Dear Alan

**East Lothian Council – 2009/10 audit
Application Services Review - Replacement Revenues IT Systems (Capita)**

As agreed in our 2009/10 Annual Audit Plan, we completed an application services review of the Replacement Revenues IT Systems. In 2008 the council initiated a project to replace the Civica application, which had become dated and future possibilities for development were regarded as limited. Following a tendering exercise a solution from Capita was selected as the replacement system, and the new system was successfully implemented in December 2009.

Changing a complex application such as Revenues and Benefits is not a straightforward undertaking. Using a project management methodology such as PRINCE2, which the council did, can help deliver a successful outcome, identifying and managing issues as they arise and reducing the risk of project failure.. However, it does not eliminate risk altogether and the Project Board must deal with any significant problems as they are identified. Significant issues did arise during the project and were dealt with through a change control mechanism and a Lessons Learnt report produced at the end of the project to improve the management of future projects.

When the project initiation document was produced in July 2008 the indicative costs were quoted as £275,000 with the project planned to end in May 2009. However, the go live date for Business Rates was 11th August 2009 and for the Council Tax and Benefits it was 14th December 2009 over 6 months after the original planned date. In addition, the project costs increased by £175,000 to £450,000, an uplift of over 60% on the original cost. As none of the potential tenders could be purchased within the original project budget, the project board approved changes to initially increase the budget by £100,000 to cover procurement costs and then by a further £75,000 to cover unplanned costs incurred including XL Print developments and document outsourcing development among others items. This suggests that the initial project budget was underestimated and several items were missed from the initial project specification and we would recommend that improved budget preparation occurs in future.

The budget underestimate is just one of many common IT projects issues encountered during the duration of the project. The Lessons Learned Report released in January 2010 identified two further common issues in gaining staff acceptance of the project and testing. Following the procurement exercise some people openly criticized the system, which may have lead to concerns and mistrust among staff. In essence system procurement exercises tend to achieve a preferred application rather than a perfect solution. The selected application should be the one that best meets the stated requirements. Once the selection is complete it is important that everyone supports the introduction of the new application. Concerns about the suitability of the application should be addressed during the procurement exercise.

The negative perception of the application can easily lead to unwillingness to work on the project and hence resource issues for the project team. One method of reducing this type of negative perception is to provide adequate training to the staff that will use the application. The training offers the project team the opportunity to demonstrate the capabilities of the application and to reduce staff concerns and anxieties.

Careful planning is required to successfully test the introduction of any new application. Apart from deploying sufficient staff with enough knowledge of the application it is important that test plans are drawn up to satisfactorily test the application. These plans should cover what is to be tested, how it is to be tested and the expected results. Testing any software application requires sufficient understanding of the application to be able understand what the

application is doing. Once the testing is complete the results should be reviewed with any problems passed to the appropriate team member for fixing. If no faults are found, and only at this point (unless approved by a senior manager) should the test results be signed off. Signing off indicates that the tester and reviewer are satisfied that the work was properly conducted and the results are accurate. We do note that testing did generate a lot of fault investigation reports, which were reported to Capita. However, the testing did not cover all the problems. For example, we are aware of issues to do with the breakdown of water & sewerage discounts and exemptions. Testing can be a difficult task for inexperienced staff to do. Using experienced testers, if the council has access to them, to mentor staff can be beneficial.

The Lessons Learned Report acknowledges that this project turned out to be larger and more complex than originally envisaged. The staff resource deployed on the project at times appeared to be insufficient. The lack of staff resources within the Revenues area was highlighted as an issue. During the project it was necessary for the project manager to return to their operational duties and hand over the responsibilities to another project manager.

Within any project communications is vital. Does the project team know who is responsible for a particular task, when is it to be completed by and who do staff turn to do if any issue occurs? The Lessons Learned Report indicates that the division of tasks and responsibilities between the core project team and the service were blurred. Without a staff understanding of what is expected of them and when it is expected it is difficult for any project to achieve its objectives. Communication is not just an issue within the team, it is also necessary for the project manager to communicate regularly with the head of service keeping informed of developments and where necessary alerting them to potential and current issues, which may require their intervention.

We note that the council is following good practice by producing lessons learned and end of project reports at the finish of the project. We would recommend that the council continues to produce these reports at the end of major projects and that the lessons identified in the lessons learned report are actioned so that the council reduces the risk of encountering the same issues in future, including improved budget preparation.

This letter summarises the findings from our audit. The areas for improvement outlined in this letter only those which have come to our attention during the course of our normal audit work and are not necessarily, therefore, all of the weaknesses which may exist. Although we have identified a number of points which required to be addressed, it is the officers and members of the council that are responsible for the management and governance of the organisation.

Communication of issues arising from this audit may help future projects carried out by the council and may assist management in addressing issues by maintaining an adequate system of governance, internal control and performance management.

The assistance and co-operation of all staff interviewed during the course of this audit is gratefully acknowledged.

Yours sincerely



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