Digital Directorate
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Jenny Marra,
Convenor Public Audit & Post Legislative Scrutiny Committee

cc.   Minister for Parliamentary Business and Veterans
      Minister for Trade, Innovation and Public Finance
      Cabinet Secretary for Finance
      Permanent Secretary
      DG Corporate
      Director of Internal Audit and Assurance
      Director SPPD
      Joy Bramfitt-Wanless
      Gregor Hutton
      Lois MacFadeyn
      Yorath Turner

23 March 2021

Dear Ms Marra

KEY AUDIT THEMES – MANAGING PUBLIC SECTOR ICT PROJECTS

Thank you for your email of 1 March 2021 providing an embargoed copy of the above report to the Minister for Parliamentary Business and Veterans.

In the attached annex, I have responded to each of the points raised in my role as Director Digital, Scottish Government. Some of the information has been provided previously, but I thought it important to provide a comprehensive reply following the publication of this important report.

I hope that you find this helpful and would of course be happy to provide any further detail that you may require.

Yours sincerely,

COLIN COOK
Director Digital

Planning

Paragraph 91. Scottish Government guidance to public sector bodies undertaking ICT projects must emphasise the importance of good planning. That means the body investing time to establish what is required and the best method for achieving this and drawing on the support and tools that are now available to assist with the management of such projects, including Audit Scotland's "Principles for a digital future". It is essential that that process also Includes estimating a realistic timescale and budget for the project and Assessing and managing risks.

We agree that good planning is essential to the success of a project and can confirm that the quality of that planning is one of the key issues tested by our assurance processes. This includes the identification of realistic budgets and timetables and an appropriate process for accessing and managing risks.

Scotland's updated national digital strategy, published on 11 March 2021, references the work of Audit Scotland and draws on it in describing a set of principles that underpin the strategy as a whole. It includes a commitment to establish a 'digital service hub' that will, amongst other things, provide access to the documentation on standards, guidance, and training required to deliver sustainable digital transformation. This information will include the guidance provided by Audit Scotland.

Paragraph 92. The Committee recommends that the Scottish Government incorporates a requirement for a skills' capability exercise to be undertaken at the outset of all public sector ICT projects. Where a capability gap is identified, plans should be adapted to build such capacity into the project.

We agree that those leading digital programmes and projects must consider the resources they require to be successful at the outset of their work. The level and nature of these resources is tested within the assurance process.

The committee will be aware that the market for high quality digital skills is a competitive one and that there may therefore be a time lag between identifying and closing a capability gap. The digital directorate is however working to minimise this risk through various initiatives including the implementation of the Digital, Data and Technology profession; the First Minister's Digital Fellowship Scheme; the use of commercial suppliers to provide additional resources; and an active approach to resource management and career development for staff that can see them being seconded into programmes that are judged to be priorities.

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Paragraph 93. Public sector bodies should ensure that the person responsible for leading the management of an ICT project on behalf of the public body has a thorough knowledge of the business and experience of its needs. Scottish Government guidance and tools should reflect this requirement

We recognise the need for strong, senior leadership to drive a project forward in line with the organisation's strategic objectives. We also recognise that it is important for those leading digital projects to have appropriate levels of programme and digital delivery expertise, particularly for major digital transformation programmes.

We will review the guidance and tools provided in order to ensure that this recommendation is reflected appropriately.

Procurement

Paragraph 95. The Committee recommends that the Scottish Government review its ICT procurement processes to ensure that they are fit for purpose. IT contractors with experience of public sector IT projects should be involved in that review. The Scottish Government must ensure that there is enough flexibility built into its procurement processes and the terms and conditions to cope with the fast-paced nature of digital transformation.

We provided a response from Sharon Fairweather dated 22 January 2021 to the committee that addressed this area. I refer in particular to bullets 14-16.

More generally, the digital directorate has worked with procurement colleagues to establish a Digital Commercial Service that has a role in enabling Scottish Government to draw upon the expertise of commercial providers in shaping its plans and approach to procurement.

Working Relationships

Paragraph 97. The Committee recommends that good practice on establishing strong working relationships between the IT contractor and public body be shared and incorporated into Scottish Government guidance on managing ICT projects. Lessons must also be learned and shared from projects where these relationships have not worked well, examining why this was the case.

We have noted this recommendation and the Programme and Project Management Centre of Expertise will highlight this good practice in Scottish Government guidance on managing projects. We will also work with our independent review teams for digital projects to draw out good examples for wider application.

The Digital Assurance Office and the Programme and Project Management Centre of Expertise will share identified lessons learned from digital projects with other projects and practitioners through our forums and training programmes.

Skills Shortages

Paragraph 99. The Committee recommends that the Scottish Government develops clear, measurable outcomes for its ICT skills and training initiatives. This should go beyond simply numbers attending and include a method for tracking how the skills and training acquired have then been applied successfully to actual ICT projects.

Scottish Government is committed to building on the success of the Scottish Digital Academy and increasing both the range and quality of support provided. We continue to measure the impact of our training initiatives beyond numbers of attendees and will look to strengthen this going forward. We are in the process of building case studies to demonstrate the impact of these interventions and will further look to measure impact of the work being done.

Paragraph 100. The Scottish Government must take steps to ensure that there is enough flexibility built into its recruitment processes for digital staff so that it can compete with the private sector.

We have committed, in the updated national Digital Strategy, published on 11 March 2021, to work with relevant organisations to further improve our recruitment processes. We have committed to working to increase the flexibility, speed, and quality of the process so that we can compete with the private sector.

Leadership

Paragraph 102. The Committee recommends that the leadership of the project, and the role of the chief executive, is a key aspect that is considered and discussed with the public body as part of the Digital First Service Standard Assessment. Scottish Government guidance should underline the importance of consistent leadership

We agree that consistent leadership is important and will review our guidance to ensure this is highlighted. As part of a continuous improvement approach, the Digital First Service Standard has been refreshed and renamed the Digital Scotland Service Standard. The new version of the Standard is simpler and designed to support the updated Digital Strategy for Scotland. One of the elements in both the Digital First and the Digital Scotland version of the Service Standard is 'Sponsor Acceptance' which aims to ensure that the appropriate senior people know what's happening with a service. Along with the other elements of the Standard, Sponsor Acceptance is already, and will continue to be, considered as part of Digital Standard assessments. This criteria specifically asks for evidence to demonstrate there is a robust governance structure in place, including examples of how decisions are made, captured, reported and actioned across key risks areas.

Paragraph 103. Given the importance of consistent leadership, the Scottish Government should also consider the appropriateness of changes to the leadership of an organisation (where this is within the Scottish Government's

control), including secondments, where the organisation is undertaking a significant digital transformation programme

We agree that the quality of leadership is critical to the successful delivery of a digital project or programme. The digital directorate has seconded a number of staff into leadership roles within delivery bodies and we will look to assess the success of this initiative and, subject to that assessment, expand the approach more widely.

Paragraph 104. While the Committee welcomes the objectives of the First Minister's Digital Fellowship programme, it is disappointed that, to date, only four people have been appointed. The Committee recommends that the Scottish Government develop the Digital Fellowship programme further in order to maximise the benefits for public sector ICT projects

We have noted this recommendation. Over the previous quarter we have committed to increasing the number of fellows brought into Scottish Government. This has been successful and we are welcoming four new fellows in March and April 2021. We will look to expand the use of the programme still further, as opportunities arise.

Governance

Paragraph 106. Scottish Government guidance must emphasise the importance and responsibility of staff involved in IT projects raising issues of concern, and of those in leadership positions taking appropriate and timely action. Leaders should also actively encourage staff to raise issues of concern.

We will consider this recommendation carefully and will seek to update the committee at a future date. We do, of course, recognise the need for leaders to empower their teams and create an environment in which staff feel confident in making suggestions for improvement and raising any issues of concern.

Government Oversight and Assurance

Paragraph 109. The Committee considers it essential that the Scottish Government keep the new governance and monitoring arrangements under review to ensure they provide robust oversight and challenge of progress. The Scottish Government must ensure that the framework is properly resourced.

We agree with this recommendation and are currently refreshing our major project review checklists to embed lessons learned from previous reviews and also wider good practice. We are also developing a new risk based approach to assessment for compliance with the Digital Scotland Service Standard. We will update the Committee following careful consideration of the resourcing to support the Technology Assurance Framework.

Paragraph 110. The Committee recommends that the Auditor General consider assessing the effectiveness of the oversight and assurance processes that are currently in place for non-major ICT projects.

We note this recommendation. This will be for the Auditor General to decide as part of their wider work plan considerations.

Paragraph 111. The Committee recommends that the Scottish Government appoints a senior individual, with an effective reporting structure in place, to enable them to assume overall responsibility and oversight of all public sector IT projects. The postholder should have the authority to make systemic Improvements to the overall assurance framework for all ICT projects and crucially to be held to account when things go wrong

We note this recommendation and will consider it as part of activity to shape the resources and governance required to deliver the updated digital strategy. The digital directorate is further strengthening the governance of IT and digital projects by implementing a financial spend controls process for digital and technology spend. This will complement the assurance process by reviewing spending plans at an early stage of a programme. It will also review organisations' 'business as usual' IT spend to make sure that organisations address any risks and disproportionate costs associated with running 'legacy' systems.

Spend controls will be incorporated into the Scottish Public Finance Manual. As such, they will apply to all public bodies subject to these standards, including Executive Agencies and Non-Departmental Public Bodies.

<u>Learning lessons</u>

Paragraph 113. The Scottish Government must take steps to ensure that lessons learned and good practice in relation to ICT projects are not only documented, but shared, acted on and built into training programmes for future leaders and staff who work on such programmes. Lessons learned processes should fully involve the relevant IT contractor.

The Programme and Project Management Centre of Expertise is building the lessons learned and good practice from ICT projects into the training programmes for Senior Responsible Officers (SRO) and other project practitioners. Major projects also benefit from the expertise of our independent review teams who can make review recommendations to support projects to adopt good practice or take remedial action. As outlined in Sharon Fairweather's letter of 22 January, we remain firmly committed to developing a lessons learned approach, drawing on good and bad practice identified through assurance reviews and documenting this for wider use.

Lessons learned exercises on project closure are typically conducted by the project itself and should involve suppliers to the project as appropriate. We will consider whether there is any value in lessons learned exercises being facilitated by resources external to the project.

The Scottish Digital Academy will engage with the Digital Assurance Office to identify lessons learned from programmes and project assurance activity. We will then use the outcomes of this to inform the future development and continual iteration of the training programmes offered.