



**LEGISLATIVE ASSEMBLY FOR THE AUSTRALIAN CAPITAL
TERRITORY**

STANDING COMMITTEE ON PUBLIC ACCOUNTS

**(Reference: Auditor-General's report No 5 of 2007:
The FireLink project)**

Members:

**DR D FOSKEY (The Chair)
MS K MacDONALD (The Deputy Chair)
MR R MULCAHY**

TRANSCRIPT OF EVIDENCE

CANBERRA

FRIDAY, 19 OCTOBER 2007

**Secretary to the committee:
Mr H Finlay (Ph: 6205 0136)**

By authority of the Legislative Assembly for the Australian Capital Territory

Submissions, answers to questions on notice and other documents relevant to this inquiry that have been authorised for publication by the committee may be obtained from the committee office of the Legislative Assembly (Ph: 6205 0127).

WITNESSES

McPHERSON, MS KIM, Auditor, ACT Auditor-General's Office **21**
NICHOLAS, MR ROD, Director, Performance Audits and Corporate Services,
ACT Auditor-General's Office **21**
PHAM, MS TU, Auditor-General **21**

The committee met in camera at 2.32 pm.

PHAM, MS TU, Auditor-General

NICHOLAS, MR ROD, Director, Performance Audits and Corporate Services, ACT Auditor-General's Office

McPHERSON, MS KIM, Auditor, ACT Auditor-General's Office

THE CHAIR: The committee has authorised the recording, broadcasting and rebroadcasting of these proceedings in accordance with the rules contained in the resolution agreed by the Assembly on 7 March 2002 concerning the broadcasting of the Assembly and committee proceedings. Before the committee commences taking evidence, let me place on record that all witnesses are protected by parliamentary privilege with respect to submissions made to the committee in evidence before it. Parliamentary privilege means special rights and immunities attach to parliament, its members and others necessary to the discharge of functions of the Assembly without obstruction and without fear of prosecution.

While the committee prefers to hear all evidence in public, if the committee accedes to such a request, the committee will take evidence in camera and record that evidence. Should the committee take evidence in this manner, I remind the committee and those present that it is within the power of the committee at a later date to publish and present all or part of that evidence to the Assembly. Any decision regarding publication of in camera evidence or confidential submissions will not be taken by the committee without prior reference to the person whose evidence the committee may consider publishing.

Have you all heard that? I would like to welcome the Auditor-General, Mr Nicholas and Ms McPherson along today. I just want to talk a little bit about how we are going to conduct this meeting this afternoon. The last time the Auditor-General appeared on this matter, we did not give her a chance to show her PowerPoint presentation. I believe that the way we will conduct it today is that Tu Pham and the other officers will give the presentation and during the presentation we will ask questions by way of clarification only and save the substantive questions, the more general questions until after the presentation. That is the normal way that we do things and that is the way the Auditor-General expected to do it last time and was not able to.

Also, in accordance with good conduct of the meeting, I ask that we put our questions through the chair today and let people finish giving their answers before we ask the next question so that the whole meeting is conducted civilly. We value our good relationships with each other and with the Auditor-General's office. I will hand over now to Tu Pham.

Ms Pham: Thank you, chair, and thank you for the opportunity to come back and finish our briefing and also to answer any other questions that the committee may have, and also Mr Seselja. I will pass on to Rod to go through the presentation. We welcome any questions during the presentation.

Mr Nicholas: Thank you very much, Tu. We will just go through in a fairly light touch a bit of the overview related to this particular project, then the objectives of the audit and some of the findings and conclusions that we reached.

I guess the first thing to say is that FireLink is only one of a number of the ICT — information communication technology—projects that the Emergency Services Agency was undertaking that were all designed to support the overall emergency services operations. FireLink had its genesis in ESA in about October 2004. They procured it under a single select process from Australian Technology Information Pty Ltd, which we will probably just call ATI from now on. There was a brief trial in May 2004 that preceded that actual acquisition.

When FireLink was set up, the contract was initially for two years and around about \$3.2 million. It was later extended to 30 June 2009 at a total cost of \$4.2 million, which included some additional licences and some additional follow-on support after it was extended.

As to the FireLink technology itself—and we do not go into a great deal of detail in the technical side of it here—essentially what we have is a series of fixed and mobile data units that are installed in the assets of the Emergency Services Authority, and what we mean by that is basically their trucks and their equipment. It transmits the vehicle location and also general purpose messages via a special radio link back to a command console.

The technology, as it was set up and sold, I guess, by ATI, was such that it did not require a fixed infrastructure for it to operate. Indeed, that was one of the issues that were specified in the statement of requirements. The process is that the units communicate by line of sight, basically, from vehicle to vehicle and therefore relay messages back to the command console in that way. The FireLink system was—

THE CHAIR: When you say by line of sight, it is not literal, is it? I mean, the units did not have to be able to actually have people seeing the next unit?

Mr Nicholas: It is almost literal. Our understanding is it does not work quite as well if the vehicles are well over the hill and out of sight in that respect. So what we would have would be a vehicle at the bottom—

THE CHAIR: Okay, so no land features—

Mr Nicholas: of a major hill and another vehicle at the top—it could be quite a long way away—and another vehicle to relay it. The system, FireLink, or the FireLink technology was particularly useful to the Rural Fire Service and for its locations well outside of the city itself, and also the SES, the emergency services. As I said, they were mainly or often operating in rural and mountainous areas where there were black spots in the general radio communication.

FireLink is different from and is not supposed to be, and is not really considered to be, a part of the computer aided dispatch system. The CAD, the computer aided dispatch system, is used by the fire brigade here and by the ambulance services. It uses communication towers to send information on to the various assets and equipment and dispatch those assets wherever they are needed.

The procurement plan for FireLink—and I guess this is where we come down to the

more specific issues—specified a number of particular requirements for it. The first thing it was intended to support was the emergency services operation, as it says there, “as a cost effective means to provide location and environment data for input to the CAD system”—the computer aided dispatch system. By providing that input to the general dispatch system, FireLink-equipped vehicles and other assets could be dispatched through the CAD.

FireLink was intended to integrate with the existing systems, particularly the CAD system and those of other agencies that might be around the ACT or involved in an emergency situation, such as perhaps the New South Wales Fire Brigades et cetera. Certainly FireLink, as it was procured, was going to be further customised to develop the interfaces that were really needed to communicate well with the CAD system and other systems that might operate in the ACT environment.

We had two specific phases to the FireLink project. The first was essentially the delivery of the core system, and by that we mean the pieces of equipment that were installed in the vehicles and the software that went with those. They were delivered essentially on the signing of the contracts, so almost immediately. Phase 2, which was rather a lengthy and ongoing process, was to improve the system to integrate it within the overall technology and the systems that were being used by ESA and to improve the overall coverage so that it extended well into those rural areas.

Ms Pham: I think it is of importance to know that the contract actually was defined as a developmental contract, unlike other contracts for other projects within the authority. While the technology is there, the whole system still needs further development to meet the users requirement, and that is why there is still work ongoing depending on problems identified and resolved after the delivery of the core unit and the command consoles.

Mr Nicholas: Thank you, Tu. When we commenced the audit and had completed the audit, the focus was largely on the efficiency and the effectiveness of the ESA—that is, the authority and the agency—in how they actually managed the FireLink project itself. In particular, we examined the procurement project and the project management processes within ESA to deliver that project overall. What we did not do is look at the technical aspects of FireLink. So we did not set out to examine whether it was the most suitable, technically, to the ACT’s environment and we did not seek to make recommendations on technical solutions that might have met the ESA’s needs. So the real focus was on the operational aspects of project management within ESA

Our opinions were largely that there were deficiencies in many of the phases of that project; in the scoping of the project overall, in the planning for the project, in the procurement process and in the subsequent management of the FireLink project. So that is pretty much everything. As a result, our view was that the overall management was neither efficient nor effective and did not deliver the intended outcomes to meet the authority’s or the agency’s operational needs.

Our findings are separated into a couple of areas. The first is in terms of planning and initiation of the project. What we found, I guess, is that the need for some sort of vehicle location system has been known to ESA, to the authority, for quite some time. It was first identified in May 1999. It was rather formally advanced to cabinet in the

context of a cabinet submission in 2002 which sought a fairly significant sum of money to upgrade communications as a whole. There were a range of objectives associated with that. But it was all collectively known as the “new radio project”.

The cabinet submission indicated that there would be a detailed business case prepared to supplement the fairly brief cabinet submission itself and that that would be prepared by January 2003. We have found no evidence that that detailed business case was ever prepared. We have seen a draft version of it, but that is as far as it has gone. It certainly has not gone to completion or been considered by cabinet.

THE CHAIR: Did you have access to cabinet minutes for that—

Mr Nicholas: We do have access to cabinet minutes. We did not go to that extent, to dig out those specifically. We know what was approved by cabinet, so we drew a line there.

MR SESELJA: What was the reason for not looking at those cabinet documents?

Mr Nicholas: We did not feel that they were necessary at the time, Mr Seselja. We understood what was approved by cabinet, and that provided the information that we were after at the time. The project itself was approved in May 2003 with overall funding of \$26.7 million. That was to support a range of projects under the general heading of the new radio project. FireLink was only one of those, and approximately \$4.5 million was allocated to the FireLink project. That was to cover three years and any funding that was required after that would be subject to further government approval. We saw no specific business case for the FireLink project; that is, distinct from the general submission that was put up for new radio in November 2003. We saw no specific cost-benefit analysis for the FireLink project against any alternatives, should they have existed.

What we did notice—and this was identified or certainly noted by the approved procurement unit when it was looking at the procurement plan—is that the authority had essentially identified a product that it wanted and then went out to the market to get that product. So they have identified an available product and then accelerated a procurement process around that product, knowing that whatever they procured through that process would require further customisation to bring it up to the full extent of the user requirements that they had specified.

The procurement process that we saw did not demonstrate clearly in any way how the project was to achieve value for money. There was no assessment in any detail—a couple of lines basically in the procurement plan. There was a fair amount of emphasis given in the procurement plan to the need to support, or the value overall of supporting, a local company with an innovative product. Certainly there was a degree of urgency associated with the proposal in that they wanted to have that in before the next fire season commenced. Overall, those two aspects, the need for urgency and the desire to support the local company, seem to have been the major considerations in respect of value for money.

The APU, the procurement unit, and the government procurement board, when they reviewed the procurement plans, both expressed some concern about the way in which

that procurement had gone ahead. The procurement board specified a number of particular requirements that needed to be met by the ESA to fully comply with the procurement guidelines. Largely, they were not implemented.

The processes we have indicated here did not fully consider the advice that came from various sources, including some of the ESA managers, the managers within the Emergency Services Authority, or the Government Solicitor's Office. So we have had advice from a variety of places concerning the contract itself and concerning the product, but they do not appear to have been significantly heeded.

We looked at various aspects of the procurement. We felt that the authority, while it did consider some of the risks associated with the FireLink project, did not give a great deal of consideration to others. Overall, we felt that the risk management plan, such as it was, was inadequate. There was not a great deal of consultation with the end users of the system in designing the statement of user requirements. That certainly came to light through some documentation we saw and various views expressed that the parties, like the Rural Fire Service, did not appear to have been significantly consulted when those requirements were set up. The statement of user requirements itself does not include any particular measurable performance standards. We feel that for an IT project, in particular, often there are some specific user standards against which these systems need to perform. There was very little in the statement of user requirements in that regard.

Overall, the accountability processes within the Emergency Services Authority itself as to who was responsible for monitoring and managing the project seemed to be somewhat unclear to us. There were many committees and user groups set up within the ESA to consider various aspects of the FireLink project and the other ICT projects they have got running, but where the boundaries of one group stopped and the others began does not seem to be very clear.

In terms of the implementation and management of the system, again we come down to the contract itself. The statement of user requirements did not provide any particular details in terms of performance requirements for the contractor or for the system. For example, we do not have a timetable particularly within the contract. A major consideration was that the successful implementation of FireLink would have required the Emergency Services Authority and the agency to make some significant changes to their own practices, to their own business and their own operations. There was certainly some indication that these were understood in the early stages of the project, but from what we have seen they do not seem to have been operationalised.

There was not enough emphasis placed on the change management to ensure that the practices that were needed to successfully implement and bring FireLink into the systems within ESA occurred. This is particularly evident with the Rural Fire Service, which had continued to express concerns about the system and in many ways appeared not to want to use it.

When we were completing our audit, we had identified that there were some significant unresolved problems associated with the FireLink project. At the time of February 2007, we have included in the report a list of the outstanding issues that still required resolution. Some of those related to the reliability of the system, particularly

the extent of coverage of FireLink and the way in which it communicated with other assets. Overall, there appeared not to be a high degree of confidence in the system within the Emergency Services Authority, particularly within some of the users like the Rural Fire Service.

There does not appear to have been a great deal of action in terms of those unresolved issues, certainly not after December 2006. Partly that could be explained by JACS waiting on the reports of the consultancies that they commissioned to examine the agency's ICT projects in total, but not wholly. While JACS was awaiting the consultancy reports, they were not committing to any additional expenditure on the FireLink project, but that did not necessarily preclude either ESA or ATI from implementing a number of the upgrades or the changes that were in the pipeline. They were not implemented for whatever reason.

On 13 July we had Commissioner Manson highlighting or announcing that the FireLink—

MR SESELJA: Could I just stop you at the first dot point, the unresolved issues. I know you touched on it. What exactly do you mean by “unresolved issues not being followed up” since December 2006?

Mr Nicholas: Well, they were still outstanding at the time that we were looking at the audit. When we were completing our audit they were still unresolved. Some of those issues certainly appeared to be important. I mean, you are looking at whether FireLink achieved the coverage or the degree of reliability that was expected and, as I said, there was no further progress or there appeared to be no further progress in that regard.

THE CHAIR: So that is not followed up by the agency, rather than by anyone else?

Mr Nicholas: Yes.

Ms Pham: I would like to refer—

THE CHAIR: I was just asking: the unresolved issues were not followed up by whom?

Mr Nicholas: Well, I guess it is the agency's responsibility to follow those through. There were issues that were being raised by the users of the system, by the committees that were looking at the system themselves and, presumably, by ATI in some of their reports. They were not being progressed so there was no action occurring or very little action occurring since about 2006 on this project.

MR SESELJA: Does that include the updates that were required for the FireLink system or is that a separate issue?

Mr Nicholas: There were updates that were provided. We are told by Commissioner Manson that most of those were input and actually proceeded. That was happening, but there were still unresolved issues.

MR SESELJA: And some were not. Which were not?

Ms Pham: Can I refer you to page 47 of the report?

MR SESELJA: Sure.

Ms Pham: Page 47 lists a number of issues which remain unresolved, as evidenced by documents within the department. This table indicates also some proposed solutions to some of the problems there. From our audit it appears that some of these problems are critical problems which had not been resolved at the time we looked into the project.

Mr Nicholas: At paragraph 3.27, Mr Seselja, there is the advice from Commissioner Manson regarding the upgrades. The second of those paragraphs indicates that there were two rejected requests or upgrade requests, and it gives some detail as to why they were not proceeded with.

MR SESELJA: Thank you. What was the conclusion of audit in relation to those updates? Did they have a material effect on the operational ability of FireLink?

Mr Nicholas: We did not examine that aspect of it, Mr Seselja. Our concern was to see whether there was action being taken. The evidence that we have got suggests that for many months there have been problems associated with the FireLink project, and they remained unresolved at the time we were completing our audit.

THE CHAIR: Do you want to continue there?

Mr Nicholas: I guess we are coming towards a conclusion. We had the announcement by Commissioner Manson on 13 July that FireLink would be withdrawn. At that time we can see that the FireLink project had not achieved a number of the objectives that were stated for it in the procurement plan—in other words, it had not achieved the goals that were expected of it and for which it was procured—and that there was additional development work that was still likely to be incurred by ESA in getting the system up to the stage where it would have finally met those goals.

We made a number of recommendations—six in total; fairly general recommendations, I guess, but they are surrounding obviously the project management, project implementation for any significant project. We are strongly in support of the need for a government structure for each of the major ICT projects undertaken, whether it is by ESA or by any other government agency. Indeed, that is the general framework that has been established by CMD policies issues through CMD and InTACT.

We made recommendations surrounding the project planning and the management of the project itself, ensuring that it meets the goals that were set for it. We were concerned about the processes for consideration of GSO advice, the government solicitor's advice, so we have made a recommendation seeking to draw attention to that and encouraging agencies, firstly, to seek advice and, secondly, to obtain the clearance from the Government Solicitor's Office prior to executing major contracts. We see that there is some value in agencies properly exploring the risks and the risk management framework for a particular project and thoroughly considering that. That

seemed to be an area that was missing in this particular instance.

Developing the statement of user requirements, such that they contain measurable performance standards for the product itself and for the provider and doing so in full consultation with the users or expected users would be important. Finally, we made some recommendations regarding the documentation of project management, procurement project management. The department agreed with all of our recommendations in this instance.

THE CHAIR: The department agreed, the head of JACS, I suppose. Do you think in this case ESA agreed? I know ESA is part of the department, but therein might lie part of the problem, mightn't it?

Mr Nicholas: We have no reason to believe that ESA are not fully supportive of those recommendations either, Dr Foskey. I mean, they are all fairly general recommendations. There is no indication from our point of view that ESA would not be supportive.

Ms Pham: Indeed. I can be sure that ESA supported our recommendation, because we sent our draft report to the commissioner, who would have advised us if he had any problem with the recommendation.

Mr Nicholas: I guess the final comment is that we felt that there were some significant lessons in project management that could be learnt from this particular incident to the extent that we think a lot of not so much the findings but certainly the direction of the findings and the recommendations ought to be considered by other public sector agencies in their implementation of major projects, whether they are IT or ICT projects or other projects. We are certainly pointing to the need for a sound procurement process and good contract development and performance indicators for any major project. That is more or less the end of the presentation. I am happy to take further discussion.

MS MacDONALD: You have said that JACS have agreed to all the recommendations, where relevant to them. But some of those are across whole-of-government. What has been the response to those ones, especially things like GSO?

Mr Nicholas: We consulted with the GSO, and the GSO is supportive. Obviously, it is part of JACS as well, but in terms—

Ms MacDONALD: No. One of your recommendations says that all contracts should go to the GSO before they are agreed to. That is a whole-of-government agency thing.

Mr Nicholas: We have not got a government response to the report as yet. We would expect that those sorts of matters would be canvassed in developing that government response. That will be coordinated, presumably, through JACS as the lead agency in this particular instance. So that is due within three months of tabling the report. That is not all that far away.

Ms MacDONALD: Yes, it is due, but it does not always come within the three

months, does it?

THE CHAIR: Yes, but we usually get told it will not come and ask permission. Just backtracking here, you said that the government approved FireLink in something or other—2004. Was it the minister or was it at cabinet level? At what level was that approval given?

Mr Nicholas: The new radio project was approved through cabinet at that time—

THE CHAIR: Yes. That was first off.

Ms Pham: In terms of overall funding.

Mr Nicholas: Yes, and FireLink was a component of that. That is the extent to which it was approved.

THE CHAIR: Which maybe did not need to be approved at that level then because the original funding had been approved?

Mr Nicholas: Well, it was a fairly general statement, a cabinet submission. It was not a detailed submission. It did not break down the needs in any great detail. The comment that we had made in our report is that we felt there would have been value in cabinet endorsing the large bucket of money, if you like, at an in-principle level and perhaps having an opportunity to look at more detailed business plans or submissions relating to the components at a later stage.

Ms Pham: To answer your question directly, that decision could be taken by the commissioner without the need to refer to cabinet for approval of FireLink. So there was no government cabinet decision on FireLink.

MR SESELJA: Well, I guess there was in the sense that they approved the overall bucket of money, which was to include communications systems. It just did not specifically say FireLink or otherwise.

Mr Nicholas: Yes.

Ms Pham: That is right.

MR SESELJA: You have made some comment there in the report to the effect that cabinet could have looked more closely at the individual item. Should cabinet or the government or the minister been more involved in oversighting these processes whilst the ESA was the independent agency? Would that have protected the public purse better than the way things did operate?

Ms Pham: Better practice would require the agency to provide some business cases on individual projects, especially when it is about \$4.5 million. This is a large project.

MR SESELJA: Provide business cases to?

Ms Pham: To Treasury, to be recommended to cabinet. It is quite common for

cabinet to provide overall funding to give a commitment to a significant initiative like improving the whole communication system for emergency services. But every year—or when the project within that overall funding is close to approval—I think that approval needs to be sought from cabinet. That would be a better process compared to what actually happened.

MR SESELJA: Did you put the question to the minister as to why that process was not followed?

Ms Pham: I put the question to Treasury at the time. Certainly that was a deficiency in the process. Treasury responded that in recent times they do request a detailed business case for such projects to be submitted to cabinet.

MR SESELJA: So you put the question to Treasury. Is this a process thing for the Auditor-General as to why you would not also put that question directly to the minister? Is it not appropriate for the Auditor-General to do that or is there some other reason why that question was not put specifically to the minister? It is obviously not for Treasury to decide how these processes are. It is for the minister and the cabinet to decide.

Ms Pham: No, we did not ask the minister the question. However, in the process of doing the audit we consulted with Treasury. Treasury then informed us that the process has been improved since then. It has now become part of the budget process so there is no need for us to ask further questions.

MR SESELJA: I guess why I am putting it is that if I were the minister in that case and you put the question and there is comment in the report, I would, I guess, want the opportunity to say—maybe the minister believes there was a good reason for not going through the processes that you believe should have been gone through. I am just trying to get to the nub of why that question would not be put directly to the minister so that the minister can answer for himself why the government chose to go down that particular path.

Mr Nicholas: We do not normally deal directly with ministers. We deal mostly through the agencies. In this case, the Emergency Services Authority had the authority to make the commitments that it did. We see the outcome of that. As I said, we feel that better practice in that instance would have been to provide a breakdown of those business cases to the more identifiable components. As to exactly why that happened or why it was not followed through, we are not certain.

THE CHAIR: That process of procurement occurred in the last year of the last government, did it not, in 2004, or was it later than that?

Mr Nicholas: The procurement started—let us see. We had the trial in May 2004. The procurement itself, I think, was finalised in November or thereabouts of 2004.

THE CHAIR: So that was just after an election, you know, when things are—I am just trying to get a bit of a picture of it. One of the other things that the report says and that you just said is that there was a problem because it seemed to you that the product was identified and then a procurement process which targeted that product was

arranged. To your knowledge, were there any other products around that did a similar thing? I am just thinking of a way that might have been pursued. Was it a case of “we have seen the thing that does what we need it to; we have not seen it anywhere else”? I am sure it must happen all the time.

Mr Nicholas: Specifically, to my knowledge, were there other products available? I do not know. We have advice and information from within ESA that indicates that there were some alternatives. We do not know whether they met the full range of requirements of the Emergency Services Authority. Presumably they did not, because they were not approached. But a more typical procurement process might be to identify a range of specifications and to approach the market and see who could meet them.

Now, some providers may be able to provide the full range, some may be able to provide part of that range, and a typical procurement process will examine all the potential providers and select the best and the most appropriate one. In this case, we have a procurement that was fairly targeted and it was unlikely that any other provider was going to fit the bill other than ATI.

THE CHAIR: How long would that process take, the ideal process that you just mentioned—a long time?

Mr Nicholas: How long is a piece of string? Look, it could be short; it could be long. It would depend a little bit on the way in which the agency wanted to run it. There would be potentially pre-tender consultations with the marketplace. That might narrow down the range of potential providers. You could seek a submission within a defined period of time. It could take a couple of months. It could take a bit more than that.

THE CHAIR: Okay.

Mr Nicholas: It is hard to say exactly, but approximately.

Ms Pham: Certainly FireLink was marketed as a unique product to provide some special feature that at the time was not available on the market. That is how they marketed it. Evidence that we looked at tended to indicate that there are other systems than FireLink which may meet part of it, but not the whole product. But regardless of how unique FireLink is or how it is marketed, you would not know if there are other alternative systems unless you actually go out and do a proper tendering process calling for expressions of interest from other companies.

In this case they did a quick market research and listed a few companies that were likely to be able to meet some of the requirements but may not have the whole system that FireLink was at the time, as marketed. But, as it turned out, the outcome at the end of the years of the contract was that FireLink did not deliver what was supposed to be so unique about it; for example, real-time information of vehicle and polling times and coverage. Some of the very key marketing features of FireLink were not actually delivered at the time that we looked at the audit.

Whether or not the government continues to spend more money and continues to

upgrade it and continues to develop new ways of solving the problem that will lead to that ultimate system that they promised at the beginning is a different story. At the time of the audit the system did not deliver what was intended in the procurement plan in the contract. Most importantly, one of the objectives was for FireLink to support CAD and to integrate with CAD, but that did not happen at the time that we audited.

Mr Nicholas: No, it did not. May I just add to that? We briefly describe some of that procurement process at paragraphs 2.66 and 2.67 of the report. What we have put in there as an example is that, in 2003, around about the same time they were looking at FireLink, or about the same time, ESA went out to secure tenders for their new CAD—their computer assisted dispatch system. We are not trying to equate FireLink with CAD, but there are some components of those two systems that are similar or have some compatibility. What we indicated here is that the industry offered eight potential solutions for the new CAD project. That suggests that there are providers that can meet at least some of the requirements that ESA have.

What we found over our audit process is that, as Tu Pham has said, there was some examination of the market, but that appears to have been very brief and is largely dismissed in a couple of lines in the procurement plan itself. So we felt that the procurement process fell short for that reason.

THE CHAIR: You also said that the Rural Fire Service appeared not to want to use it. We know that Val Jeffrey was probably in that. He was certainly a member who spoke derogatively of it at the time. Do you know if the rural fire brigade actually had a demonstration of it?

Mr Nicholas: We know that in September 2006 there was a demonstration to be organised of the FireLink system for the Rural Fire Service. That was terminated fairly quickly because the system failed. Now, the fact is the system failed not because of a FireLink issue but another issue within the Emergency Services Authority. The recommendation was that it be trialled again to incite a bit more interest in the system. That did not occur, to the best of our knowledge.

MS MacDONALD: I am sorry. What was the other issue within ESA?

Mr Nicholas: It was the failure of some of the computer hardware or something within ESA itself, not of the FireLink product. But the fact that it failed regardless and that they had to terminate the trial probably led to some of the negative views about FireLink within the RFS.

MS MacDONALD: And they never had—

Mr Nicholas: To our knowledge there was no further trial.

Ms Pham: But before that there were other problems identified by the Rural Fire Service. On page 48, the report states:

FireLink system appears to fail whenever numerous RFS units are converging at the same area—

So there are some other earlier problems identified when they introduced the system into the Rural Fire Service. That was evidence in documents that we looked at. There seemed to be a lot of problems identified on and off by the Rural Fire Service.

THE CHAIR: Are there any other questions?

MR SESELJA: Yes. You said before that the ESA in your opinion did not seem to have any problem with the recommendations. I have a couple of questions around that. Do you have any opinion on whether or not with the change in management in the ESA there was a significant shift in thinking in relation to FireLink once the former commissioner stepped down and some senior staff left? Was there a significant shift in thinking in the ESA on the merits of FireLink?

Ms Pham: We only can look at evidence. We cannot speculate on whether or not there was a change in the new commissioner's thinking or approach. The evidence shows that in December 2006 the new commissioner decided not to take further action on tasking orders, so basically the instruction was not to request changes to the system which required additional funding pending two consultant reports.

I think it is reasonable for any government department, if they have serious issues with any system, to stop and say, "I want to have expert advice" or "I may like to seek further technical advice from an independent or another source before I make a decision to make improvements or modifications to the system," and I think that is what the commissioner did.

Mr Nicholas: That was not directed solely at the FireLink issue, though. The first of the major reviews that were initiated within ESA was about ICT projects overall, so there was obviously some concern about the way in which the various communications and technology projects had been run within ESA. FireLink was but one of those.

MR SESELJA: Just going back to the RFS—and correct me if I am wrong here—is it true that several users of the FireLink system, including RFS operators, approached ATI directly to request some changes to be implemented to the FireLink system and that ESA did not take action on that? Are you aware of such a request being made?

Ms Pham: That is what the company advised us.

Mr Nicholas: Again, the process that was set up for this particular project was that any request for change would have to be organised through a tasking order that was authorised by ESA and submitted to ATI before any action could be taken. So if there was to be change it needed to go through that process. We have seen that there was at least a deferment of any additional tasking orders from December 2006 onwards. We cannot speculate on that. We do not have any specific information to that extent, Mr Seselja.

MR SESELJA: So you didn't sort of go down to the detail of inquiring if these requests were made as to why ESA did not then make those requests through those processes?

Mr Nicholas: We had nothing to indicate that those requests were made other than some oral statements by ATI essentially; on the tasking orders what we have seen is that from December 2006 there have been no additional tasking orders initiated.

MR SESELJA: So, having got that information from ATI orally, you didn't then ask the question of ESA whether those requests were made to ESA and, if so, why they weren't made through those processes?

Mr Nicholas: The only way they could have been made to ATI was through the formal process, so again there were no further tasking orders.

MR SESELJA: I understand that, but what I am asking is that, if ATI has said that there were requests made at that lower level, it seems some of those clearly did not go through the process that you have just outlined. Having been informed of that, did you ask the question of the ESA as to whether or not that is true, whether they could corroborate that, and, if so, why those were not taken through those processes?

Mr Nicholas: No, we did not ask that question.

MR SESELJA: Okay. Is there a reason why not?

Mr Nicholas: There was no reason to believe that there would have been any further action on it, I guess. The instructions had been that there were to be no further tasking orders that would incur additional expenditure.

MR SESELJA: So the oral submissions then that you got from ATI were referring to the period post the decision made not to have any further tasking orders, which was in—

Mr Nicholas: December 2006.

MR SESELJA: December 2006. Is that correct?

Ms Pham: We do not know what time—

Mr Nicholas: No. That would have been our interpretation, but there were no specific times given to that.

MR SESELJA: Okay, so we cannot be sure then that it was after that time?

Mr Nicholas: No.

MR SESELJA: You say in paragraph 2.74 on page 33:

Audit acknowledges that the trial was conducted in a 'real' fire (not a simulated event) but considers that ESB's decision to terminate the trial after one successful test (instead of three), and on the assumption that the unmet requirements would or could be fixed later, lacked prudence and exposed the project to significant risk.

I note that in addition to the eight-day trial, which comprised 24-hour continuous activity in pretty bad or perhaps the worst possible circumstances for FireLink, the system in its earlier stages was also deployed in the 2003 fires. Has it been suggested to you in your considerations that there are any variables that were not experienced during the live operational performance that could have been simulated in other testing?

Mr Nicholas: The 2003 trials are pretty well irrelevant in some respects. We are looking at a procurement process that occurred post May 2004. If there was to be some assessment of the product in a procurement process it should have occurred post May 2004. We fully accept that there was a live trial of the system and that that well tested the system under real circumstances. The information that we have suggests that the system performed quite creditably in that time. The information also indicates that a number of the requirements were not met through that trial and there was some commitment from ATI that they would be addressed in the next version of the product, that there would be further discussion around some of them and that some of the requirements would just be dropped, essentially.

Ms Pham: It is important to note that it is good for the system to be tried in a real fire situation, and that was noted. Regardless of the situation, the outcome was that the system did not meet all mandatory requirements. There is a list of 116 mandatory requirements. After that trial, FireLink met only 89 of them. The other mandatory requirements were not met. So, if you do things properly, I would expect another trial to be done when some of the unmet mandatory requirements are looked at and the system fixed to meet those mandatory requirements. So suddenly a number of mandatory requirements will no longer be mandatory and the decision was made to procure FireLink within a short period.

MR SESELJA: There was pre-procurement testing. Was there subsequent testing in relation to implementation for RFS and SES?

Mr Nicholas: Not to our knowledge to the same extent of the validation approach that occurred. There was a process that I think was initiated or run by ATI. I will find the reference to that in a moment. But I do not believe that there was the same extent of testing post implementation as there was in the trial period.

MR SESELJA: So what was that post-implementation testing that you are aware of?

Mr Nicholas: Just give me one moment and I will dig it out. We certainly had the Government Procurement Board recommending that there should be a post-implementation review. We know that did not occur.

THE CHAIR: Is that on page 34?

Mr Nicholas: At paragraph 2.80 we have got some of the requirements that the GPB set up. I will find that information.

Ms Pham: There was one that you referred to before that it did not work and that is one of the significant testing—

Mr Nicholas: Yes, that was September 2006. I am sorry about this, Mr Seselja. There is a—

MR SESELJA: Would you like to come back to it?

Ms Pham: Yes, we will come back to it.

THE CHAIR: My question is a bit related and we could put it in the gap. It is a hard one to give a definitive answer on, but I am just wondering about the Government Procurement Board. Somebody comes up with a product, they really want it, they say it is essential; is there a tendency for the procurement board to sort of be convinced, to maybe not subject something to the really tough criteria they might usually use? Are there instances where that occurs because somebody—a department, a situation, whatever—appears imperative?

Ms Pham: On this particular project I believe that the procurement board has done the right things. They looked at the procurement plan. They looked at the way the authority approached the proposal and came up with a number of good questions and good advice for the authority to follow. The board is concerned about the process, to make sure that the process is above board and achieves value for money, but the board is not about understanding the technical aspects of a project. Usually you have to rely on the authority or on the government agency to assess the suitability of the technology and how it meets the operational need. The board looks at the process: did you call for tender? If you did not call for tender, why did you not call for tender? Did you do sufficient research to ensure that you had alternative solutions to compare with? So I think in this case the procurement board did raise some concerns and requested the Emergency Services Authority to take a number of actions to improve the process, to make sure that risk was minimised. Have I answered your question?

THE CHAIR: Yes. I have a follow-up but I think we have a page reference now, have we?

Mr Nicholas: We do not, actually. I will come back to you with that. But there were some recommendations from the APU, the procurement unit and the Government Procurement Board in the context of undertaking a full post-implementation review. We are totally aware that that did not occur. There was provision within the contract—the specific aspect I was trying to find—for some service testing that was largely done by ATI. Our understanding is that that occurred.

There was a certificate of acceptance signed off on 17 July 2006 by a number of representatives from the various services. That accepted the unit into production or into operation but there continued to be problems associated with the process and the communications management group was concerned that it was not working successfully. There was no formal sign-off of acceptance from the heads of the services, so there was a reluctance to proceed with that, notwithstanding that a certificate had been drafted; so it had never been signed off.

So I guess the sort of longish answer, Mr Seselja, is that there does not appear to have been any full testing of the product post implementation such that they could tick off against the various criteria that were established under the statement of user

requirements by the Emergency Services Authority.

MR SESELJA: Okay. Maybe this one then can be taken on notice. I am informed that there were successful joint activities and extensive testing which was led, I understand, by the ESA steering group after procurement, and this included successful live exercises involving RFS and SES and included connection to the ACT Fire Brigade officers and the ESA communications centre. That is what I have been informed, so that is what I am trying to get to the bottom of—whether you are aware that that testing did occur.

Mr Nicholas: There was certainly testing going on and such that it would have led to the certificate of acceptance being signed by the RFS/SES on 17 July for introduction into operational service.

Ms Pham: Yes, so I would have no doubt whatsoever that they should have had that type of testing. At the later part of the project there was supposed to be more testing for the whole system to work together—what they call end-to-end testing—and that did not occur successfully. The more recent one, the one that Rod mentioned before—

Mr Nicholas: In September 2006.

Ms Pham: was the testing with the ACT Rural Fire Service in September 2006 where it failed and was aborted because of problems. That problem later on was identified as relating to the ESA infrastructure and not FireLink. That is the most recent testing. There was supposed to be more testing but it did not happen and that is why the confidence in the system was not there because there was not another testing to show that it can work.

MR SESELJA: Okay, so that I am clear, the testing that I referred to there, that I was informed of, as far as you are aware it did occur, although you are not aware of the details of that testing, and as far as you are aware that testing, if it occurred, was not to the level that was needed post implementation?

Ms Pham: For full operational implementation.

MR SESELJA: For full operational implementation.

Mr Nicholas: We have not seen anything that is a test of the delivered service or the delivered system against the user requirements that were set up in the first place, post implementation, and we know that the final certificate that was drafted, which would accept FireLink into full operational service, was never signed. So it had not been formally accepted into full operational service. It had been accepted for introduction into service but not for full operational service, so—

MR SESELJA: But you are not aware of the details of this testing that I have been informed about subsequent to, as I described it, the joint activities with RFS and SES and the ESA communications centre?

Mr Nicholas: I do not have those details here.

THE CHAIR: I am still on page 34 and paragraph 2.80. Whereas the procurement board set a number of conditions—five of them—I gather there was never any formal indication that those conditions were met and yet there was an accelerated procurement process, according to your report. At what point should there have been? If you were prescribing the process, how would you suggest that the procurement board would best have dealt with these key actions, and how important were they? How crucial were those and yet the authority did not give this information that these conditions were met, and did the procurement board ever follow up and say, “Where is this?”?

Ms Pham: There were follow-up actions from the procurement board by way of email to some key project managers to ask them to follow up these actions and there were emails back saying, “Yes, we will do it.” I think in this case they did not follow up to ensure that it actually happened. I think it might be hard for the Government Procurement Board to follow up all the time all the projects going through their meeting. You have got to trust and have faith in the chief executive or someone who is responsible for that project that when they promise to follow up these actions they will do it. So I am not sure how much the procurement board could have done. Certainly they could have kept on asking and if there was no evidence that action promised to be done was happening they could have taken further action and written to the minister or to someone expressing their concerns. But in this particular case certainly they did what they could within normal procedure, that they follow up once or twice. When the project manager or the one who was the main contact officer advised, “Yes, we will do that,” to the board that was sufficient.

THE CHAIR: Nonetheless, it was procured anyway. The procurement board said they endorsed subject to the completion of, but they actually approved the procurement or did the procurement, I guess, before they had a sign-off on those things. Is that right?

Ms McPherson: In the letter from the procurement board with the requirements, basically it said that the follow-up of these requirements is contingent on ESA. So they sort of left it to ESA, I guess, and that was their stepping back.

THE CHAIR: Right. I can understand that the procurement board’s job finishes when they sign off, I suppose, once the thing is procured. One would hope so; otherwise they sort of become the department or an extension thereof.

Ms Pham: Yes. I think there is a degree of faith in the chief executive to do what they are supposed to do. So these unusual circumstances where the agency agreed to these conditions advised by the board but did not implement them—the board may not be aware that the situation occurred.

Mr Nicholas: No, but we know that some of these things are about variations to the contract. For example, the first of those dot points from the GPB is about the contract. They had the process of the selection fairly quickly after the GPB had signed off. The contract itself was to be renegotiated, or to be negotiated, once the procurement occurred. So we have got ESA going back to the Government Solicitor’s Office in the first week, or thereabouts, of October with some comments and seeking comments on the contract as it was being developed.

It was at that time that one would have expected the matters like the 18-month review to have been incorporated into the contract.

We know that the GSO's advice was not adhered to, that the recommendations were made to the ESA and that the ESA drafted some revised sections to the contract that were put to the GSO. The GSO did not have time to sign off on them because ESA was pushing to get the contract signed off quickly, so it just did not occur. The commitment from the ESA to the Government Procurement Board was probably along the lines of "yes, we are doing it", but they just did not get around to it.

THE CHAIR: On the final dot point, it is a bit late for that one, isn't it?

Mr Nicholas: Yes. That is more about making sure that the procurement plan as it is submitted is more complete, and we would have expected that to have been done.

THE CHAIR: You think they might have filled that out after the fact?

Mr Nicholas: No. We would have expected the procurement plan to be revised before it was finalised.

THE CHAIR: And was it?

Mr Nicholas: Not to our knowledge.

Ms Pham: Some of it—

Mr Nicholas: Yes, there was a little.

Ms Pham: They did some modification but did not follow the important ones—

Mr Nicholas: There was certainly not extensive discussion on it, no.

MR SESELJA: I have one final one. You may not feel qualified to answer this but maybe in doing the report you formed some views. The FireLink process was basically a response to McLeod, and in part McLeod emphasised the need for operational authority being delegated to the authorised RFS incident controller instead of being centralised in the ESB communications centre because of what happened in January 2003. What are we left with now? Where are we at? I know it might be a very broad question, but do we have a system that is able to do those things, now that we have canned the one that the former management thought was the way to go?

Ms Pham: I do not think we are in a position to offer a technical solution for the agency. Technically we are not well informed to know what would be required to address all the problems identified by the McLeod report. The audit is very much about the process of procuring the system, implementing the system and managing the contracts. We are not in a position to know whether FireLink will work or not if the government continues to operate it or manage it better or follow up with all the modifications; we would not know. What we know is that, after spending \$4.5 million and two or three years down the contract, the system did not meet the operational requirements of the agency. It did not solve some of the problems that were identified

early in the process as a part of the procurement plan and hence the lack of confidence in the system.

You asked before about whether or not there was a change of thinking between the two commissioners. Certainly, when we discussed the project with the two commissioners, the former commissioner Peter Dunn had much more faith in the system than the new commissioner. The new commissioner believes that the system does have some fundamental issues that could not be resolved by upgrading or modifying the system. He believes the problems are much more fundamental, and that is why he sought further consultant reports to make the decision or to advise the government on the decision.

THE CHAIR: If we go ahead with an inquiry I guess we can see if we can get hold of those consultant reports.

MR SESELJA: There may also be scope, obviously, for the legal affairs committee to look at some of these issues in its inquiry as well.

Ms Pham: I am sure the consultants would be in a much better position to advise the committee of what their assessment of the system is and why they recommended or concluded that the system is not suitable for the operation.

THE CHAIR: I was just reading Paul Malone's article where he seems to believe that a business case was not needed because we had post-fire urgency. I guess that is one view that is out there in the community—certainly with the McLeod report and just the absolute fear of something like that happening again. It already feels different now—probably unwisely—in that we are a few years post fire, not just one year. But is there any way that the process, given that it was the right equipment and so on, which I think is probably still up there in the air, could have been done quickly but correctly?

Mr Nicholas: I have no doubt about that. The question of whether there is a business case or the extent to which that business case is constructed, I guess, would vary. We certainly recognise that there was a great deal of urgency, if that is the right term, about finding a solution to the ESA's concerns as they came out of those fires. Our view would be that that does not necessarily justify too many shortcuts, and there appear in this case to have been a few too many shortcuts.

The suggestion in that article is that a three or four-line case will do: it failed; we need something better. We would suggest that that is inadequate. There needs to be something further to justify the expenditure of \$26 million overall, which was the new radio project and \$4 million or \$5 million for each of those separate projects. It would seem to me that that is a fairly large chunk of public money that is eventually being spent, and the community wants to see that that is spent wisely.

Ms Pham: Most of the time, because of the urgency, when we cut corners and we cut due process, we create bigger problems in the end. In this case, if the deficiencies of the process are justified by the agency on the issue of urgency, the outcome did not justify that urgency because we did not have a system up and running before the next bushfire season. It took as long as the normal process to get to the stage we are at now,

so the urgency used to justify the lack of detailed business study, the lack of considering other options or alternative solutions in this case, could not be justified.

Mr Nicholas: And there are other compensations that one ought to build into it. If you are going to shortcut in one part it inevitably leads to some additional risk, and that additional risk needs to be well assessed and well managed. We can envisage a circumstance where the importance of the need will reduce some of the paperwork and so forth, but there needs to be some sensible adjustment made then of the way to manage the risks that that creates. In this case it appears to have been lacking and, as the Auditor-General is saying, we did not have the system delivered within the time frame that we were seeking, notwithstanding that we had a fairly accelerated procurement process and so forth.

Ms Pham: Another issue that came up is the developmental nature of the contract and of the product, which means that they still relied on a lot of customisation and modification to meet the user requirements. I think that is a big risk to take, to buy a system where you know that it will depend on further customisation for solutions as problems come out. For emergency services to rely on a new product which required a lot of customisation is a big issue. If you decide to take that road you have to put in place a lot of good project management to follow it up, because you know that the product needs to be further developed to meet user requirements. But they entered into a contract with a product which required further customisation, yet the processes put in place to monitor the development to follow up with problem resolution were not effective at all. Indeed, the company provided monthly reports, identifying problems. There was no evidence available to show proper processes to follow up the issue, to make sure that solutions were found before they moved to another solution or another problem.

Mr Nicholas: The underlying technology may have been quite sufficient here. We had a set of user requirements that were unique to the ACT's environment, so the development was to turn the underlying technology into something that was fully integrated within the ESA environment. That was ongoing and that was the risk, I think, that the Auditor-General is trying to bring out. That required sound management processes. Those processes appeared to be lacking in the ESA at the time.

THE CHAIR: Okay. Unless there are further questions, thank you for coming in and thank you for passing on those letters that you indicated you would. I am not sure whether I formally apologised for Mr Mulcahy, who I think is probably on his way to Ottawa or something like that at the moment so could not be here.

Ms Pham: Thank you.

Mr Nicholas: Can I just clarify: do you want us to come back to you on that issue about the other information?

MR SESELJA: If you could, that would be good, yes, just for completeness.

Mr Nicholas: So what we are looking for is whether we have information regarding the joint activities to test the system involving the RFS and the SES. Do you have a time frame for that, Mr Seselja?

MR SESELJA: I think there was one, but, no, I do not, unfortunately. It was certainly post implementation.

Mr Nicholas: We will examine our material and get back to you as best we can on that.

MR SESELJA: Thank you. Let me know if you need any further clarification. Certainly if I am able to get detail of the time I will let you know, but at this stage I do not have anything in front of me.

Ms McPherson: Did you say it was post a particular date?

MR SESELJA: It was post implementation.

THE CHAIR: Yes, thanks. As you are probably or possibly aware, the public accounts committee may or may not just refer this for consideration within the context of the legal affairs committee's broader inquiry into the implementation of reports and so on. That is a decision we have yet to make. You will probably find out about that one way or the other and I am sure you will be fascinated to know.

Mr Nicholas: Indeed. Thank you.

Ms Pham: Thank you.

The committee adjourned at 3.57 pm.