

# Ministerial Inquiry into the Novopay Project: Draft Terms of Reference

## Introduction

1. This document sets out the Terms of Reference for a Ministerial Inquiry into the Novopay project incorporating a formal Post Implementation Review. It includes the:
  - a. the objectives and scope of the inquiry
  - b. the governance, support and operation of the inquiry
  - c. the timeframes for the inquiry, including dependencies that may affect the timeframes.

## Objectives and scope

2. The objectives of the inquiry are to:
  - a. examine the issues that have arisen leading up to, during and after the implementation of the education payroll system (Novopay) and determine why the project has not succeeded as originally intended
  - b. assess whether the governance and management of the Novopay project were sound and accorded with appropriate practice
  - c. advise the responsible Minister on steps to be taken to address the ongoing performance and stakeholder/public confidence issues in the system and associated service model.

## In scope

3. The inquiry is to:
  - a. examine the project lifecycle from the initial tendering phase. In particular, determine whether elements in the contracting arrangements between the Ministry and other parties contributed to the difficulties in the arrangement
  - b. determine what has gone wrong with the implementation and assess whether the errors and omissions are capable of being rectified
  - c. assess the support issues for users and whether the arrangements that have been put in place will be fit for purpose and sustainable
  - d. building on the Independent Technical Review of the Stability of the Novopay Software, provide advice on the robustness and suitability of the system and service model.
4. The Ministerial Inquiry will incorporate the previously scheduled Post-Implementation review, the scope of which is outlined in Appendix 1.
5. Apart from looking at the actions taken to date, the history of the development and implementation and the robustness and suitability of the system and service model, the inquiry will also specifically examine:
  - a. the business benefits that were originally expected, the known risks, and the mitigation strategies that were in place.
  - b. the extent to which these original expected business benefits have been delivered

- c. the extent to which sector employment arrangements and operating model for the payroll imposed unusual or unique requirements on the Novopay payroll system design and functionality
- d. the extent to which the issues with the introduction of the Novopay system parallel the introduction of the previous schools payroll system in the mid 1990s
- e. the lessons for future governance and management arrangements of the payroll system and for ICT projects of this type in central government agencies
- f. Any other matters that the Lead Inquirers consider appropriate.

### **Out of scope**

6. The technical stability of the software platform and its adequacy for the task will be addressed by the Independent Technical Review, which will be an input to the inquiry.
7. Broader policy issues about contracting arrangements in the wider State Services will be addressed following completion of this inquiry. The Chief Executive of the Ministry of Business, Innovation, and Employment, as functional leader for procurement, in conjunction with the Treasury, State Services Commission and the Government Chief Information Officer, will be asked to provide advice on the robustness of commissioning capability and the management of commercial arrangements in the wider State Services in light of the Novopay implementation problems.

### **Governance, support and operation**

8. The Lead Inquirers are Sir Maarten Wevers and Mr Murray Jack.
9. They will report to the Minister responsible for Novopay, Hon Steven Joyce.
10. The Lead Inquirers will engage with a sector advisory group convened to support their work. This is likely to include members of the current Payroll Reference Group plus other interested parties (Regional Principals' Groups). To provide effective input, the sector advisory group will need to meet fortnightly.
11. A secretariat/support team will be established within the Ministry of Education to support the inquiry and ensure access to the key parties and information.
12. The Lead Inquirers will determine whether they require additional technical support, and if so what, to meet the requirement and timeframes.

### **Timeframes and dependencies**

13. The Ministerial inquiry is intended to be swift, to enable rapid implementation of its recommendations as part of addressing current issues. The indicative timeframe is three months from completion of the Independent Technical Review.
14. The Independent Technical Review of the stability of the Novopay system software will commence on [date] and report by [date]. The results of the technical review will determine whether the way forward for school payroll service delivery is based on the existing software platform or whether an alternative solution needs to be found.

## **Appendix 1: Post-Implementation Review – detailed matters for inquiry**

### **Direction**

- the governance, leadership, sponsorship and ownership of Novopay
- the alignment of the Novopay solution to the business case agreed by Cabinet and the Ministry of Education's priorities
- the drivers for change from the previous payroll service
- the strategic engagement between the Ministry, Talent2 and schools.

### **Procurement**

- the procurement process that led to the decision to choose Talent2's proposed solution
- the adequacy of the contractual arrangements between Talent2 and the Ministry.

### **Implementation**

- the planning, project management, project processes (including scope management and risk management), and reporting
- the management of the vendors by the Ministry and the relationship between those involved in delivering Novopay
- the management of the relationship with schools
- the customisation, development and suitability of the technical solution, including the payroll software and all supporting infrastructure
- the development, implementation and readiness of the service centre and pay centre and associated processes to deliver the service
- how security and privacy requirements were addressed and tested.

### **Change Management**

- the engagement and communications with the school sector
- the training provided to the sector, the preparation of the sector to use the new service, and the readiness of the sector at go live and afterwards
- the operation of the Payroll Reference Group.

### **Go Live**

- rationale for the move to a "big bang" cutover to the new service
- the testing and readiness assessment that verified that Novopay was ready
- decision-making and decision-making processes in the run up to go live
- the identification and management of potential contingencies in the case of Novopay project failure.

### **Post Go Live**

- the adequacy of the post go live support for the systems and end users
- the handover to business as usual operations
- the resourcing and funding implications for business as usual operations at the Ministry and schools
- management of issues subsequent to go live
- business as usual management of the relationship between the Ministry, schools and Talent2

- management of the contract (including Key Performance Indicator monitoring and management).
- the quality of the overall Novopay solution and acceptance of what the solution delivers by the operational staff and stakeholders.

### **Benefits Realisation**

- the benefits achieved to date against the original business case and subsequently updated Project Initiation Documents (PIDs), including the benefits from the increased automation
- the suitability of ongoing benefits realisation management.

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