

## **Purpose**

The Minister with responsibility for Novopay is establishing a Ministerial inquiry into the issues that have arisen over the implementation of the education payroll system (Novopay) since it was implemented in August 2012, and taking steps to address the ongoing performance and stakeholder/public confidence issues in the system.

As part of this the Minister has requested the acting Secretary for Education to obtain an immediate independent assessment of the stability of the Novopay system as it has been implemented.

This document is a terms of reference for the assessment of the stability of the Novopay system. This review is referred to as the “Novopay Technical Review”.

## **Background**

The Novopay education payroll system went live in August 2012, following an extended period of development. The contract between the Crown and Talent2 runs to 31 July 2020 with a potential further term of two years.

The Novopay payroll system has not performed well. 110,000 school employees are paid through the system in each year; and while the majority has received the right pay at the right time, a significant minority has not. School staff and principals, both as individuals and through their professional organisations, have raised serious concerns about the efficiency and effectiveness of the Novopay payroll system.

The Novopay implementation has been controversial. Stakeholders have little confidence in the system as deployed, and there has been a great deal of adverse publicity and public interest.

There are two parties to the Novopay contract – the Crown (the Ministry of Education) and Talent2. Other key stakeholders include boards of trustees (the employers of school staff), school principals, teachers and other school staff, and members of the wider school community – including parents, and the families of school staff.

The Ministry procures Novopay as a service from Talent2. The Ministry has a contract with Talent2 for eight years of operation with a provision to extend the contract for a subsequent two years.

The core systems that Talent2 uses to provide the Novopay service – most notably Alesco, the Novopay Online system, and the Novopay Service Desk Application (NSDA) – are owned by Talent2 and have been modified by Talent2 to meet the requirements of the Novopay service. Talent2 manages the hosting and delivery of the service – Novopay does not run on Ministry infrastructure.

## **Requirement for a Technical Review**

The Minister with responsibility for Novopay proposes to address the ongoing performance and stakeholder/public confidence issues with Novopay with a planned series of steps. The first of these is the Novopay Technical Review.

At the Minister's request, the acting Secretary for Education is commissioning an independent assessment of the stability of the Novopay system as it has been implemented (The Novopay Technical Review). This review will be conducted by a specialist in ICT systems and will enable the Minister to either take ameliorating actions required to stabilise the system and rebuild trust and confidence amongst stakeholders, or take steps towards alternative service provision if required. This review will use as one of its inputs the internal audit controls review work currently being undertaken by Ernst & Young.

The Minister's expectation is that this independent assessment will take place urgently.

## **Goal**

The goal of the Novopay Technical Review is to assess the core Novopay payroll software platforms with respect to their stability and make recommendations to enable the Ministry to ensure that immediate issues are resolved in the short term and that the Ministry has suitable software platforms in place for the eight to ten year delivery of the schools payroll.

## **Objectives**

The objectives of the Novopay Technical Review are to answer the following key questions:

1. How stable are the Novopay core software platforms for the current delivery of schools payroll?
2. Can the Novopay core software platforms provide a technically stable platform for the delivery of schools payroll for the next eight to ten years?
3. What needs to occur immediately to give timely and effective resolution of the outstanding issues?
4. What needs to occur in the medium to long term to ensure that the Ministry has suitable software platforms in place for the eight to ten year delivery of the schools payroll?
5. How effective are the implemented quality assurance processes to ensure accuracy of manually captured data?

## **Scope**

The scope of the Novopay Technical Review will include the following:

1. The stability of the core Novopay payroll systems – Alesco and Novopay Online as modified to meet the requirements of the schools payroll service
2. The technical suitability of the core Alesco payroll package for the stable operation of the schools payroll for the next eight to ten years
3. The technical suitability of the Novopay online interface used by schools for the stable operation of the schools payroll for the next eight to ten years
4. The current state of the Alesco solution architecture definition and other relevant documentation and the processes to maintain these.
5. The technical suitability of the system administration and support tools used to resolve issues and maintain a system stability over time

6. The effectiveness of the core platform software maintenance processes to ensure that the Alesco core is being, and will be, maintained to meet supplier recommendations and business needs (e.g. patches and upgrades)
7. The effectiveness of how the customisations required for schools payroll have been identified, designed, and applied to the core Alesco package.
8. The effectiveness of data entry into the system, including system validation and quality assurance.

Stability and technical suitability will include consideration of the following aspects of the system:

1. High level functionality (whether the system performs business functions accurately and robustly)
2. Application architecture (including the use of standard and custom-developed software)
3. Data (including data quality and data migration)
4. Resilience, performance, and scalability
5. Security and privacy architecture.

The scope will NOT include the following:

1. Review of the solution selection process or implementation project
2. Detailed review of the functional fit of the core systems to the requirements
3. Determination of the reasons for any system weaknesses identified
4. Review of the commercial arrangements between the Crown and Talent2, including the overall business model, contractual terms and pricing
5. Review of the capabilities of Talent2, beyond those directly relevant to maintaining a stable Novopay system
6. Review of the Ministry or broader sector IT environment

## **Governance**

The review will be performed by an independent consultant based on information provided by the Ministry and Talent2. Maximum use will be made of information already available.

The appointed reviewer will report directly to the Acting Secretary for Education. The Office of the Chief Executive will facilitate the support required for the review.