State Services Commission

REVIEW OF LESSONS LEARNED FROM
STATE SERVICES COMMISSION’S ROLE IN THE
MINISTRY OF EDUCATION’S NOVOPAY PROJECT

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1. **Introduction**

1.1 Caravel Group has been engaged to review State Services Commission’s role in the Novopay School’s Payroll project. The review considers whether SSC’s involvement was consistent with its responsibilities in relation to major high risk projects, what worked well, what didn’t work well, and lessons for the future.

2. **Background to the Review**

2.1 SSC has been involved with the Ministry of Education’s Novopay School’s Payroll project since 2006 (including formal monitoring). In 2009, SSC became concerned about the project’s lack of progress and potential for failure, and commenced monthly reporting to Ministers for this project.

2.2 In July 2011, SSC received and accepted an invitation to join the Novopay Project Board.

2.3 The decision to initiate the payroll service on 20 August 2012 was made by the chief executive upon the recommendation of the Project Board.

2.4 Since implementation of the payroll service, there have been severe and protracted operational problems, and associated negative media.

3. **Purpose of the Review**

3.1 The objective of the review is to provide the State Services Commissioner with an assessment of:

- SSC’s role and approach with respect to Novopay, as a monitored major project
- How well SSC did its job with respect to Novopay, including the appropriateness and effectiveness of its interventions?
- What went well, what went not so well?
- What lessons are there for the future?

4. **Scope**

4.1 The scope includes all aspects of SSC’s interventions.

4.2 The scope excludes an assessment of Novopay and other’s decisions in relation to the project.

5. **Approach**

5.1 We conducted this review by:

- A review of relevant documents, including those about State Services Commission’s role in relation to major project monitoring, reports to Ministers about Novopay, quality assurance reports, and some Novopay management and governance documents.
- Interviews with 19 people who had roles relating to Novopay throughout the course of its history. The interviewees were employees or contractors for SSC, Ministry of Education, and Treasury. A list of interviewees is shown in Appendix A.
• Analysis of the information from the document review and the interviews, and
development and documentation of conclusions.
• Peer review within Caravel Group.
• Submission of the draft report to SSC for factual review.
• Completion of the final report, taking into account any comments from the
factual review.

5.2 This report has been prepared on the basis set out in the Contract for Services with
State Services Commission dated 14 January 2013 and should be read in conjunction
with this document. This report is for the benefit of State Services Commission only,
for use at its discretion. The information contained in this document has been
collected through interview and document review. The reliability or accuracy of any
information obtained in the course of our work has not been verified. However, we
can confirm that this report has been reviewed by the State Services Commission for
factual accuracy.

6. Terminology Note

6.1 For the sake of the brevity in this report, the following terms are used:

IQA: ................................. Independent Quality Assurance

MPM Senior Advisor: ........ Major Projects Monitoring Senior Advisor

PM: ................................ Project Manager

QRA: ................................. Quantitative Risk Assessment

SAPG: ............................... Sector and Agency Performance Group

SRO: ................................. Senior Responsible Officer

SSC: ................................. State Services Commission

SSPS: ............................... State Sector Performance Specialist
7. Summary

7.1 We have concluded that the Commission has carried out its responsibilities in relation to Novopay.

7.2 The reporting to Ministers has been clear, consistent and timely. The extent of the risk of the project was regularly reviewed and updated, with indications of apparent trends. The extent of monitoring received by Novopay was considerably in excess of most other projects, reflecting its high level of risk.

7.2 There appeared to be close coordination between the Project Monitoring Team (part of the Performance Improvement Programmes Group) and the Sector and Agency Performance Group so the risks could be communicated directly to the Ministry of Education Chief Executive. Although we did not sight documents, we were advised that Novopay was regularly discussed in performance discussions with the Chief Executive.

7.3 The conclusions from our review are described in the following sections of this report, each of which has a brief discussion about a specific subject, from which lessons are drawn. It is natural for a review of this nature to focus on areas for improvement, and many of our “lessons learned” reflect this. However, we should not lose sight of the large amount of attention and expertise that has been applied to Novopay, in monitoring, interventions, and reporting.
8. Subject: Major Projects Monitoring; Resource and Approach

Discussion:

8.1 The Project Monitoring Team monitors up to about 50 projects. Team members who are assigned to full-time monitoring cover an average of 10 projects each, although the number has been as high as 17 for one individual. Within that portfolio, the MPM Senior Advisors must decide how to allocate their time. Some projects, such as Novopay, require considerable time while others require less. Similarly the level of organisational project management maturity affects the amount of attention that needs to be given to project assurance. There is no formal management review of this resource allocation within a portfolio or a particular project.

8.2 In addition, there is no formal structure for ensuring that the monitoring role is appropriately carried out. This is not to say that no assurance exists because the Project Monitoring Team is a small, co-located unit where informal discussions and weekly team leader meetings go a long way to achieving consistency of practice.

8.3 While we found good practice in Novopay monitoring, a more formal approach to resource allocation and review of the monitoring may have provided benefits.

Lessons Learned:

8.4 The Project Monitoring Team requires a mechanism for agreeing the skills, experience and amount of resource that is applied to a particular project and the processes that are appropriate given the risks of the project.

8.5 A Project Monitoring Plan would achieve these objectives. The Plan is likely to be fairly standard for the majority of projects, but would allow the MPM Senior Advisor to negotiate for more time/resource for the most high-risk projects. In addition the plan would help with objective review, and monitoring/intervention processes.
9. **Subject:** Length of Tenure in Major Project Monitoring Role

**Discussion:**

9.1 The Novopay project had the same MPM Senior Advisor from 2007 until it went live in 2012. While this has advantages in retention of knowledge, there was a potential for complacency or a lack of objectivity. We found no indications of these in the Novopay monitoring, and interventions appear to have been recommended in a timely fashion – although they were not always enacted immediately by the Ministry. However, the point is still valid and there is a potential for a long serving MPM Senior Advisor to lose perspective and become “captive to their environment”.

**Lessons Learned:**

9.2 For long duration projects, the continuation of a particular MPM Senior Advisor should be formally reviewed after say 2 years, and every six months thereafter.

10. **Subject:** Sector Impact

**Discussion:**

10.1 It was described to us that, while the MPM Senior Advisors provide technical project management review and advice, the Sector and Agency Performance Group (SAPG) and its predecessor (with Deputy Commissioners and State Sector Performance Specialists) provides a view on the wider agency business and sector perspective. This latter perspective appears to have received inadequate attention during the Novopay project as risks relating to the business change management elements of the project were not raised to sufficient prominence. Education sector knowledge should have indicated the compounding effect that inadequate sector preparation, such as training, ownership and expectation management, would have on top of the effects of system functional errors.

**Lessons Learned:**

10.2 A more formal engagement of SAPG in the project risk assessment is required to ensure that sector risks are fully addressed. This may be done on a regular basis through closer involvement of the group in the ministerial reporting.
11. **Subject:** Leadership for Project Success

**Discussion:**

11.1 Within the context that the Project SRO is accountable for the project success, on behalf of his/her Chief Executive, leadership within SSC relating to project success (or failure) is not clear.

11.2 The MPM Senior Advisor is responsible for assessing the likelihood of project success and reporting to the Ministers.

11.3 SAPG is responsible for making the relevant agency Chief Executive (or Board) accountable for the performance of his/her agency or sector – including major programmes or projects such as Novopay.

11.4 The MPM Senior Advisor is able to use the relevant SAPG Assistant Commissioner or Deputy Commissioner to reduce project risk by bringing the critical risks to the attention of the agency Chief Executive. While we found that this mechanism was used during the Novopay project, it did not always seem to be effective in bringing senior intervention to bear in support of the project.

11.5 Over the course of the Novopay project there were many different people in SAPG (or its predecessor groups) who held the Education portfolio. This diluted accountability and reduced clarity of responsibility.

11.6 While we understand that SSC as a collective whole takes ownership of its functions, in the case of a troubled project, there does not seem to be a clear leader within SSC and this role appears to fall to the MPM Senior Advisor.

11.7 As SAPG owns the performance-oriented relationship with the Chief Executive and direct reports, it makes sense for that group to own the relationship relating to project success. The MPM Senior Advisor needs to bring the project risks and status to the attention of SAPG and provide relevant advice.

**Lessons Learned:**

11.8 The leadership within SSC relating to project success is not clear.

11.9 Clarification of the roles and responsibilities between the Performance Improvement Programmes Group and the Sector and Agency Performance Group would help to drive timely interventions.
12. **Subject:** Involvement in Governance or Management Groups of Monitored Major Projects

**Discussion:**

12.1 The primary role of the MPM Senior Advisor is to advise the Minister. This implies independence and expertise. The ministerial advice needs to include both governance and management, as they both have a significant effect on the success of the project.

12.2 To provide ministerial assurance and advice, the MPM Senior Advisor needs to be able to observe the mechanics of the project governance and management. This means that, in addition to meeting with project and governance personnel, the MPM Senior Advisor needs to have access to documents (plans, reports, briefing papers, agendas and minutes), and to the meetings (as observer). This has to be done on a risk-based approach because the MPM Senior Advisors have to monitor many projects.

12.3 The nature of the engagement with project-related people and groups is a difficult area. The first priority is to observe and question, in order to come to a view about the health of the project. However, the agency will often wish to draw upon the experience and knowledge of the MPM Senior Advisor to help them with the project – and a great deal of value can be delivered in this way. To maintain independence, the MPM Senior Advisor can advise on processes and structures that promote project control and health, but needs to remain separate from specific project decisions. It can be a fine line to balance.

12.4 In the case of Novopay, the SRO invited SSC to attend the Novopay Board. SSC agreed and the Novopay MPM Senior Advisor was put on the Board. The MPM Senior Advisor understood that he was an observer, but sat at the Board table and became involved in advice and discussion. The documentation indicated that he was a full Board member.

12.5 During the time that the MPM Senior Advisor was on the Board there were two key decisions – the possible delivery of a contractual breach letter to the vendor in April 2012 and the decision of whether to allow the system to go live in August 2012. All Board members were asked to provide their views prior to these decisions.

12.6 It should be noted that, in theory, Project Board members do not make decisions. The Board provides guidance and advice to the SRO who is accountable for any decisions. However, in government organisations, many decisions are effectively made by consensus. Consequently, agreement with a course of action at the Board meeting is seen as being part of the decision.

12.7 The MPM Senior Advisor’s primary role is to observe, review, ask the right questions, and analyse the answers, in order to advise the Ministers and indicate risks and gaps. The Agency’s role is to provide information, discussion, and decisions. The main mechanisms for carrying out the MPM Senior Advisor’s role are receiving project documents and one on one meetings with the PM and SRO. Attendance at project management or governance meetings should be limited to observing the effectiveness of these meetings in guiding, managing and controlling the project. This observation can be achieved without attending all meetings and, to highlight
the independence it is preferable that the MPM Senior Advisor does not attend all meetings.

**Lessons Learned:**

12.8 MPM Senior Advisors should be given guidance on the acceptable types of engagement with the agency. This guidance would cover two key areas:

- If we imagine a continuum from pure observation, through questioning and advice, to decision making, then the MPM Senior Advisor needs to work in the range between observation and advice. Preferably, the advice should be about process and structure, that is “what” should be done, rather than “how” it should be done. This needs to be carefully defined.

- Methods whereby the MPM Senior Advisor can improve understanding of the project and provide guidance without reducing their independence (real or perceived).

13. **Subject:** Commercial Risks and Expertise

**Discussion:**

13.1 The Project Monitoring Team and SAPG lack the commercial experience to the level needed to be consistently reliable in appraising commercial strategies for major projects.

13.2 The commercial strategy is extremely important in a project such as Novopay as it sets the scene for major elements of performance control and relationships. The commercial strategy has often been set during the business case development when more attention has been placed on justifying the project rather than on how it will be controlled. While this should improve with the Better Business Case process (the Options Analysis and Commercial Case in particular) we believe that SSC should put more attention into the commercial strategy and highlight any risks involved. If necessary, independent advice should be sought.

**Lessons Learned:**

13.3 For projects that include a substantial input by one or more external vendors, the commercial strategy should receive more assessment and debate.

13.4 The MPM Senior Advisors should request a Commercial Strategy from the agency, and preferably subject it to independent review.
14. Subject: Agency Understanding of the MPM Senior Advisor’s Role

Discussion:

14.1 During our interviews it was mentioned that agency personnel do not always understand the role of the MPM Senior Advisor. While we found no direct evidence of this in relation to Novopay, it may have been present as there were several project managers, business owners and SROs involved during the course of the project. Each change of personnel will have resulted in a “learning curve” and a re-establishment of monitoring relationships.

14.2 An induction process would be useful for the MPM Senior Advisor and agency personnel to quickly gain an expectation of roles, rights and expectations. The induction should include the agency Chief Executive, SRO and Project Manager. The induction should be carried out at the start of the major project monitoring, and be repeated every time there is a change to one of the key personnel (SSC or agency).

14.3 The induction could also include the roles of the other monitoring agencies: Treasury and the Department of Prime Minister and Cabinet. This could be informed by the Treasury Better Business Case Scoping Document which includes a description of the Central Agency roles. This is a useful starting point because the agency owning the major project will have been involved in writing the scoping document. (We note that the Novopay project did not have a BBC Scoping Document as it was not in use at the time that Novopay was initiated.)

Lessons Learned:

14.4 A major project monitoring induction process would be a valuable means of quickly establishing relationships and a shared understanding of the monitoring role, in the context of the overall Central Agencies’ monitoring responsibilities.

14.5 The induction would be supported by a terms of reference which would describe the ways in which the monitoring would work, and the role that SAPG plays in relation to a monitored major project. The terms of reference would include the right for the MPM Senior Advisor to have access to any project document or meeting. It would make it clear that attendance by a MPM Senior Advisor at a project meeting, except for one on one meetings, would be as an observer, although the MPM Senior Advisor may answer questions relating to assurance and risk reduction processes.
15. **Subject:** Confidence Points / Stage Gates

**Discussion:**

15.1 “Confidence Points” or stage gates were used effectively in the latter stages of the Novopay project to focus the delivery of the vendor. They can be a powerful tool throughout a project to gauge progress and make go/no-go decisions.

15.2 The Novopay project had earlier stage gates in the form of payment points in the fixed price contract. These were not used to good effect as the vendor was paid even though not all of the scoped items were delivered. It is clear, in retrospect, that it would have been preferable if the vendor delivery issues had been “brought to a head” at those early payment points. The issues were included in the reports to Ministers, but should have been escalated more strongly by State Services Commission.

**Lessons Learned:**

15.3 The Project Monitoring Team and SAPG should pay strong attention to the incorporation and effective use of go/no-go stage gates in monitored major projects. The joint view by the two SSC groups should include project, technical, commercial and sector impacts. The gates should be planned into the project and should be applied rigorously by the project management and governance.
16. **Subject: Independent Quality Assurance**

**Discussion:**

16.1 As a monitored major project, it was mandatory for the Ministry of Education to arrange Independent Quality Assurance (IQA) reviews of Novopay. These reviews were carried out from the start of the project (including Probity and QRA reviews) until the end of 2009 when Extrinsic and Price Waterhouse Coopers were engaged to carry out reviews. Following the PwC review, they were engaged to provide on-going quality assurance. However, for a period of time this on-going quality assurance work was not independent because PWC was working within the project at both management and governance levels. There did not appear to be a formal acceptance that IQA was no longer needed. There is also a question about whether such acceptance would be valid given the mandatory nature of the IQA requirement.

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**Lessons Learned:**

16.2 The obligation on agencies to conduct IQA throughout the lifecycle of a High Risk project should be insisted on by SSC. This should be included in the Treasury BBC Scoping Document as part of the agreement between Central Agencies and the project-owning agency on major project monitoring and quality assurance.

16.3 Independence is a fundamental part of the effectiveness of IQA. Any dilution of the independence should be addressed with the agency and included in the report to Ministers.
Appendix A  List of Interviewees

<table>
<thead>
<tr>
<th>Name</th>
<th>Role relating to Novopay School’s Payroll Project</th>
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<tbody>
<tr>
<td>Jenni Norton</td>
<td>Deputy Commissioner, Performance Improvement Programmes, Project Monitoring Team Owner</td>
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<tr>
<td>Sandi Beatie</td>
<td>Deputy Commissioner, Sector &amp; Agency Performance, responsible for Education</td>
</tr>
<tr>
<td>Peter Brown</td>
<td>Deputy Commissioner, Former Project Monitoring Team Owner</td>
</tr>
<tr>
<td>Marie France</td>
<td>Former Deputy Commissioner, Sector &amp; Agency Performance responsible for Education</td>
</tr>
<tr>
<td>Mary Slater</td>
<td>Sector &amp; Agency Performance responsible for Education (Provided written answers to questions)</td>
</tr>
<tr>
<td>Maria McKinley</td>
<td>Former State Sector Performance Specialist</td>
</tr>
<tr>
<td>Simon Daly</td>
<td>Former State Sector Performance Specialist</td>
</tr>
<tr>
<td>Hugh Oliver</td>
<td>Former State Sector Performance Specialist</td>
</tr>
<tr>
<td>Mel Wallwork</td>
<td>MPM Senior Advisor for Novopay</td>
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<tr>
<td>Wayne Pincott</td>
<td>MPM Senior Advisor and Acting Project Monitoring Team Manager</td>
</tr>
<tr>
<td>Anne Jackson</td>
<td>Ministry of Education SRO (Initiation to Go-live)</td>
</tr>
<tr>
<td>Rowena Phair</td>
<td>Ministry of Education SRO (After Go-live)</td>
</tr>
<tr>
<td>Fiona McTavish</td>
<td>Ministry of Education, former Business Owner (interview by phone)</td>
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<tr>
<td>Leanne Gibson</td>
<td>Ministry of Education, CIO and former Business Owner (interview by phone)</td>
</tr>
<tr>
<td>Buddy Kiersey</td>
<td>Ministry of Education, First Novopay Project Manager</td>
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<tr>
<td>Richard Burn</td>
<td>Ministry of Education, Mid-term Project Manager (Maven)</td>
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<tr>
<td>Craig Reid</td>
<td>Ministry of Education, Project Manager May12 to BAU (PwC)</td>
</tr>
<tr>
<td>David Cashmore</td>
<td>Ministry of Education, Business Case development (Maven)</td>
</tr>
<tr>
<td>Rohan Biggs</td>
<td>Treasury, Former Vote Analyst</td>
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