Chapter 5
Finance—Implementing the Revenue Administration Modernization Project

1.0 Main Points

The Ministry of Finance is updating its taxation revenue administration processes including related IT systems over five years (from 2014 to 2019). It calls this renewal project the Revenue Administration Modernization Project (RAMP). It expects this project to cost $35.5 million.

The Ministry is using RAMP to change how it administers many types of taxation revenue such as provincial sales tax and tobacco tax. It expects to retire up to 25 tax-related IT systems as part of RAMP.[1]

It expects implementing RAMP will lead to productivity gains (e.g., reducing time to process revenue transactions), financial benefits (e.g., identifying underreported taxes, reduced costs) of $103 million over 15 years, improved customer service (e.g., faster and improved access to records), and increased IT system availability (e.g., less downtime).

This chapter describes the results of our audit of the Ministry of Finance's processes for managing the implementation of RAMP. For the 12-month period ended January 31, 2017, those processes were effective, except in the following areas. The Ministry needs to:

- Document how and when it will measure and report benefits achieved.

  While it had clearly defined the benefits expected from RAMP, as noted above, the Ministry had not determined how best to measure and report on them. Having clear measures is key to assessing and demonstrating whether RAMP results in the productivity, revenue, and efficiency gains expected.

- Report, in writing, all costs incurred in project reports used to monitor the project's progress.

  Its monthly status reports included some but not all costs incurred. Complete costing information helps effectively monitor project costs and support decisions about the project's financial status.

2.0 Introduction

One of the Ministry of Finance's key responsibilities is administering and collecting certain provincial taxes.[2] The Government of Saskatchewan relies on its taxation revenues to finance its core services (e.g., provision of health and education).

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[1] Ministry of Finance, *Updated Business Case, Revenue Administration Modernization Program*, (2014).
[2] *The Revenue and Financial Services Act*, s.10. gives the Minister of Finance the authority to collect or control the collection of public money, and assess taxes and collect those taxes.

2.1 Responsibility for Administering Tax Revenue

Each year, the Government of Saskatchewan levies about $6 billion of taxes (see **Figure 1**). The Ministry directly administers these taxes, other than individual and corporate income taxes that the Federal Government administers on behalf of the province.

In 2015-16, about 60,000 businesses and 32,000 farmers operating in Saskatchewan paid some form of provincial taxes either levied or collected by the Ministry.[3]

Figure 1—Taxation Revenue by Major Type[A]

Taxation Revenue Type	2015-16	2014-15
	(in millions)	
Individual Income Tax	$ 2,537	$ 2,547
Provincial Sales Tax	1,289	1,358
Corporate Income Tax	1,003	848
Fuel Tax	479	515
Tobacco Tax	264	261
Other Taxes (e.g., Corporate Capital Tax, Liquor Consumption Tax, Insurance and Motor Vehicle Insurance Premium Tax, Beverage Container Program)	370	349
Total Taxation Revenue	**$ 5,942**	**$ 5,878**

Source: Ministry of Finance, *2015-16 Annual Report* and Ministry of Finance, *2014-15 Annual Report*.
[A] Taxation Revenue Types impacted by RAMP are shaded in the table.

The Ministry makes its Revenue Division responsible for administering its tax programs. The Revenue Division includes four branches: Audit, Tax Information and Compliance, Revenue Operations, and Revenue Administration Modernization Project. The Division's responsibilities include, but are not limited to: developing and monitoring compliance with administrative policy and legislation; registering businesses that collect and remit taxes; collecting and enforcing taxes; serving customers; and auditing compliance of taxpayer records.

3.0 History of the Ministry's Revenue Systems

In July 2013, the Ministry began planning[4] to modernize some of its tax revenue processes and related IT systems[5] (e.g., fuel and tobacco tax). It called this project RAMP. The Ministry expects to retire up to 25 tax-related IT systems as part of RAMP and change related administrative processes.

In June 2014, the Ministry determined the RAMP requirements. It bought an IT revenue system (the Taxation Administration and Compliance System – TACS) and is configuring it for use in Saskatchewan at a total cost of $20.3 million. In addition, it developed plans

[3] Ministry of Finance, *2015-16 Annual Report*, p. 8.
[4] Planning included developing preliminary requirements, conducting research, and designing target architecture. For this audit, we define architecture as a strategy for solving business problems using IT.
[5] Some of these IT systems are nearly 40 years old.

for streamlining the Ministry's existing policies and organizational processes, and putting TACS into use.[6]

The Ministry plans to implement RAMP in four releases as shown in **Figure 2**, at an estimated cost of $35.5 million.[7, 8] The Ministry spent $8.7 million[9] in 2015-16 and about $7.5 million[10] in 2016-17 on capital expenditures for RAMP.

Figure 2—RAMP Planned Release Dates

Release #	Release Description[A]	Actual/Expected Start Date	Actual/Expected Completion Date
1	Fuel Tax, Tobacco Tax	September 1, 2015	November 30, 2016
2	Provincial Sales Tax, Liquor Consumption Tax, Beverage Container Program, and Insurance Premium Tax	September 1, 2016	November 30, 2017
3	Corporation Capital Tax, Farm Fuel Tax, and Taxpayer self-service portal	June 1, 2017	May 31, 2018
4	Additional functionality and warranty period	June 30, 2018	May 31, 2019

Source: Ministry of Finance planning documents.
[A] Each release is to include changes in policy, process, IT systems, and organizational design to update the administration of taxation revenue.

Surveys and literature show that projects involving significant changes to processes, complex transactions, and external stakeholders are inherently risky.11 Ineffective project management processes increase the risk that projects will be late, over budget, or not meet user needs. If RAMP does not meet user needs, the Ministry may not be able to effectively levy and collect taxation revenue, and may create unnecessary inefficiencies and costs for businesses and farmers operating in Saskatchewan.

4.0 Audit Objective, Scope, Criteria, and Conclusion

The objective of this audit was to assess the effectiveness of the Ministry of Finance's processes, during the 12-month period ended January 31, 2017, to manage the implementation of its Revenue Administration Modernization Project for work completed by January 31, 2017.

The audit did not examine the processes the Ministry used to determine the need for RAMP, or select specific project management advisors and IT system suppliers.

We interviewed the Ministry staff involved in managing RAMP, and reviewed related documentation (e.g., governance model, business case, project charter). We reviewed minutes from RAMP committees and assessed status reports discussed at the meetings. We examined project changes (e.g., scope, cost, schedule), IT changes, and project testing documentation. We assessed user access to IT tools used to manage RAMP.

[6] Ministry of Finance, *Updated Business Case, Revenue Administration Modernization Program*, (2014).
[7] Ibid.
[8] This includes the $20.3 million to buy and configure TACS.
[9] Ministry of Finance, *2015-16 Annual Report*, p. 14.
[10] Based on Ministry of Finance expenditure forecasts.
[11] Shared Services Canada, *What Prevents Large IT Projects from being Successful,* www.ssc-spc.gc.ca/pages/ae-ve-eng.html (16 September 2016).

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 3**).

Figure 3—Audit Criteria

Processes to:

1. **Set project management framework**
   - 1.1 Set governance structure for project (oversight, accountability, project objectives)
   - 1.2 Set measurable expected benefits of project
   - 1.3 Establish reporting relationships
   - 1.4 Set systems and expectations for information gathering and recording
   - 1.5 Specify requirements for approving changes to project
2. **Plan releases**
   - 2.1 Plan key attributes (cost, timeframe, human resources, business and technical requirements, quality)
   - 2.2 Plan to obtain required resources (e.g., people, financial, physical)
   - 2.3 Identify, evaluate, and plan to manage risks
3. **Monitor progress**
   - 3.1 Regularly evaluate key attributes
   - 3.2 Make adjustments to releases as required (e.g., scope, actions, timelines)
   - 3.3 Track key information to enable measuring of achievement of project objectives
   - 3.4 Regularly report progress
4. **Adjust project management framework and processes between releases**
   - 4.1 Evaluate project management processes and results
   - 4.2 Implement changes based on evaluations (e.g., lessons learned)

We concluded that, for the 12-month period ended January 31, 2017, the Ministry of Finance had effective processes, except in the following areas, for managing the implementation of its Revenue Administration Modernization Project. The Ministry needs to:

- **Document how and when it will measure and report benefits achieved**
- **Report all costs incurred in project reports**

5.0 Key Findings and Recommendations

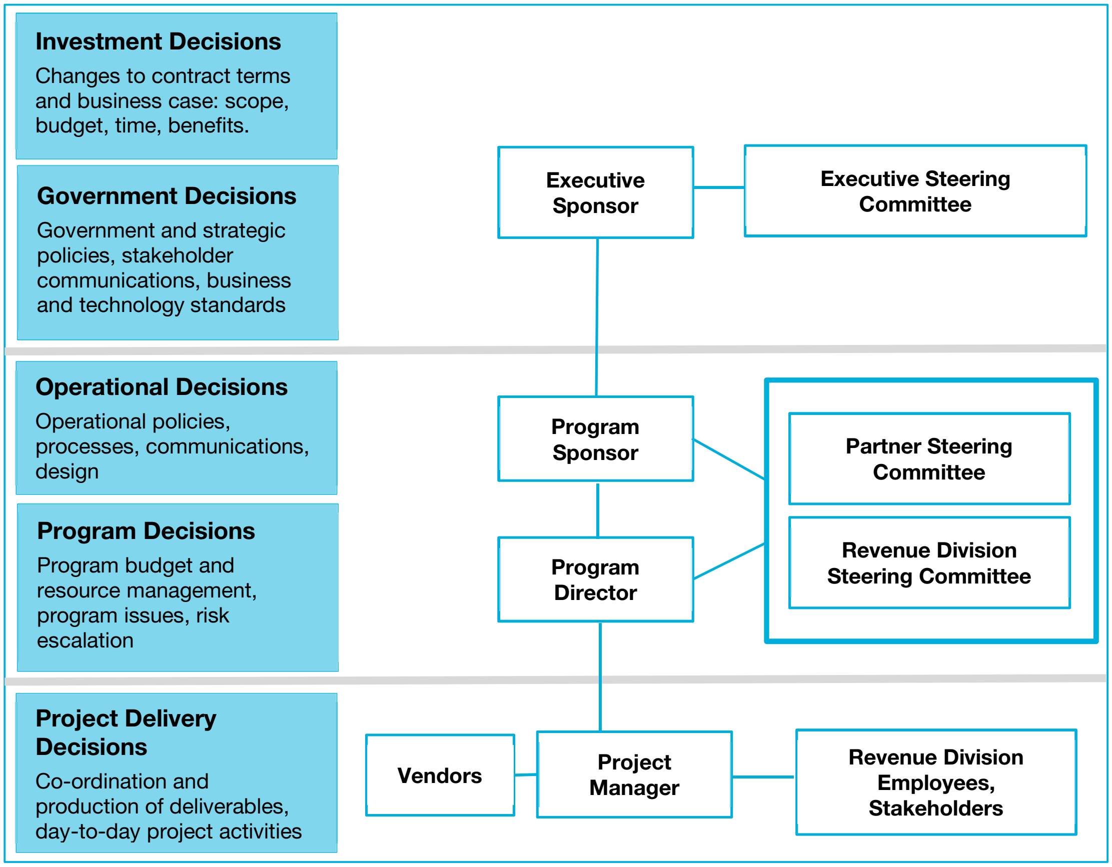
In this section, we set out our expectations (*in italics*), key findings, and related recommendations.

5.1 RAMP Governance Structure Set

We expected the Ministry to have a project governance structure for RAMP that clearly set out roles and responsibilities for managing the implementation of RAMP. We also expected the Ministry would establish reporting relationships to keep RAMP staff informed of project status. This would include processes to gather and record key information for reporting.

The Ministry's Governance Decision Model Framework set the governance structure for RAMP (see **Figure 4**). The Model clearly defined key roles and responsibilities.

Figure 4—RAMP Governance Model



Source: Adapted from *RAMP Governance – Decision Model Framework*, (2015).

As reflected in **Figure 4**, the Governance Model involved numerous groups and individuals. Key responsibilities were as follows.

The Executive Sponsor approves government policy changes resulting from the project, as well as changes to the project's scope, cost, or timing. The Deputy Minister of Finance was the Executive Sponsor.

The Executive Steering Committee advises the Executive Sponsor about investment and government decisions. It also ensures the project's alignment with government priorities and standards. The Committee was comprised of the Deputy Minister of Finance, two of the Ministry's Assistant Deputy Ministers, the RAMP Project Directors, three representatives from the Ministry of Central Services,[12] and an Executive Director of the IT application vendor.

The Program Sponsor is responsible for implementation of the project, including approving design decisions and operational changes (e.g., policy, organization) resulting from the project. The Assistant Deputy Minister of the Ministry's Revenue Division was the Program Sponsor.

The Revenue Division Steering Committee and the Partner Steering Committee advise the Program Sponsor about design decisions and operational changes. The Revenue Division Steering Committee approves changes to business processes and client service delivery.

[12] The Ministry of Central Services provides IT services to the Ministry of Finance.

This Committee was comprised of only the Ministry's staff, including the Project Sponsor, a RAMP Project Director, a RAMP Project Manager, and four other representatives. The Partner Steering Committee includes vendor representatives to help resolve issues and risks timely. This Committee was comprised of the Project Sponsor, the RAMP Project Directors, two RAMP Project Managers, one representative from the Ministry of Central Services, and four other representatives from the Ministry.

The Program Directors provide oversight, co-ordination, and leadership for the project. They are responsible for managing the project budget and scope and managing vendors. The Director of the Ministry's RAMP unit and an employee from the IT application vendor were the assigned Program Directors.

The Project Managers report directly to the Program Directors, and are responsible for timely completion of tasks and deliverables. Other staff carry out tasks under direction from the Project Managers. An employee from the Ministry's RAMP unit and two employees from the IT application vendor were the Project Managers.

The Model required regular status reports and regular committee meetings to keep staff and vendors informed of project status and decisions.

The Ministry maintained information about the project electronically. For example, it used IT applications (IT tools) to track the different tasks planned for the project and their status (i.e., complete, in progress, not started). The tools also tracked testing of the new IT system, as well as issues and changes. The tools gave access to project status information to support preparing status reports in real time. In addition, the Ministry's financial system (i.e., MIDAS) tracked information about project costs.

5.2 Work Continues for Measuring Expected Benefits

5.2.1 Expected Benefits of RAMP Set

We expected the Ministry to set, in writing, the benefits it expected to gain from implementing RAMP (expected benefits).

The Ministry set expected benefits in its business case for RAMP.[13] Expected benefits included:

- Productivity gains (e.g., reducing time to process revenue transactions) resulting in reallocating about eight full-time employees
- Revenue gains (e.g., identifying underreported taxes) and reduced costs (e.g., lower costs to fix broken IT systems) resulting in a financial benefit of $103 million over 15 years
- Improved customer service (e.g., faster and improved access to records)
- Increased IT system availability (e.g., reduced downtime)

[13] Adapted from Ministry of Finance, *Updated Business Case, Revenue Administration Modernization Program*, (2014).

Because the implementation of RAMP spans five years, management noted that it may identify additional benefits as the project progresses.

5.2.2 Processes to Measure Benefits Expected from Implementation of RAMP Needed

We expected the Ministry to have processes for measuring and reporting benefits achieved to stakeholders (e.g., Treasury Board, Ministry executive, Revenue Division staff, taxpayers). Requirements would include how to measure the benefits and what to report, how often, by when, and to whom.

The Ministry had not developed detailed processes for how and when it will measure and report the achievement of expected benefits from RAMP.

Because the Ministry had just recently implemented Release 1 of the new system (i.e., on November 30, 2016), by the end of January 31, 2017, it had not started reporting on expected benefits to its stakeholders. In addition, it had not established what information on expected benefits it would report. Nor had it determined how often or when it would report to its various stakeholders.

We found that, by the end of January 2017, the Ministry had identified some, but not all, information necessary for measuring and reporting on expected benefits. For example, it decided it needed information about tax revenue collection to measure if the new processes help it to identify underreported taxes.

The Ministry used information from its old systems and pre-RAMP processes to administer taxes to determine some baselines and targets for its expected benefits. It did not have baselines and targets for all identified benefits.

In addition, the Ministry was at the early stages of determining how it would gather and analyze the required information. For example, the Ministry planned to study the amount of underreported tax revenues over time to see if RAMP improved the detection of underreported taxes. At January 2017, it had not developed guidance (e.g., templates) to assist in this information gathering process. Management indicated it expects to complete its plans for measuring and reporting on expected benefits during 2017-18.

Without established processes, the risk increases of the Ministry not accurately measuring the benefits of implementing RAMP. Not having accurate measures would impair its ability to assess and demonstrate whether RAMP resulted in the productivity, revenue and efficiency gains expected.

1. **We recommend that the Ministry of Finance establish how and when it will measure and report to stakeholders about the benefits achieved from its Revenue Administration Modernization Project.**

5.3 Releases Planned

We expected the Ministry to plan key attributes (i.e., cost, timeframe, human resources, business and technical requirements, quality). The Ministry would plan to obtain required resources for implementing RAMP. We expected the Ministry's planning would include identifying, evaluating, and managing project risks.

The Ministry used the business case that it had developed in 2014 to support the need for RAMP to identify general business, technical, and resource requirements.

When the Ministry developed the business case, it did so with support from its existing revenue system users, and guidance from external experts with project management expertise. We found the Ministry used requirements from the business case to support annual budget requests.

The RAMP business case identified the skills and expertise needed. In addition, it identified which skills and expertise it could obtain from employees within the Ministry (e.g., project management, tax administration), and from external vendors (e.g., organizational change management, IT system development).

We found it also obtained software, servers, and other resources required for the project from the external vendors.

The Ministry documented project risks (e.g., cost overruns, delays) electronically. We found the Ministry evaluated each risk including the likelihood and impact. It documented plans to address the identified risks (i.e., accept, avoid, transfer, mitigate) and assigned staff to manage them. We found that regular reporting and discussion of risks occurred at RAMP steering committee meetings as expected.

5.4 Progress Monitored, but Reported Costs Incomplete

We expected the Ministry would regularly evaluate time and costs incurred and remaining, progress achieved, and quality of work. The Ministry would use this analysis to regularly report progress to key stakeholders.

Ministry staff reported on the project consistent with expectations set out in the Governance Model but monthly reports provided did not include all project costs.

The Model required monthly status reports about costs, project schedule, significant issues and risks, and decision items. While reports included information about costs, we found the costs did not reflect all of the costs incurred to the date of the report (e.g., month end).

While the Ministry had the cost information (i.e., information in its financial records and copies of invoices from vendors not yet recorded in its financial records), it primarily used the costs recorded in financial records to prepare the monthly reports. For one month, the report did not include over one-half of the costs incurred that month (i.e., missed $0.6 million of $1.0 million). Management advised us that they gave verbal updates on total costs at steering committee meetings upon request. The minutes of those meetings did not provide evidence of these updates.

Not reporting complete information about project costs decreases the ability to properly monitor the costs as compared to budget and may result in inappropriate decisions about the financial status of the project.

2. We recommend that the Ministry of Finance report all costs incurred when reporting on its Revenue Administration Modernization Project.

The status reports we reviewed included an indicator to show if management expected costs would be within budget for the year. Management considered information in the financial records and other information such as invoices not yet recorded to determine if they would be within budget. At January 31, 2017, Finance forecasted it will complete the project on time and on budget.

The status reports also included appropriate information about the remaining required items, such as project schedule, significant issues and risks, and decision items (e.g., changes to the project).

5.5 Project Changes Properly Approved and Documented

We expected the Ministry would use established processes to adjust releases as required (e.g., scope, actions, and timelines).

The Ministry used a standard change request template to make changes to the project (e.g., timelines, budget, scope).

The template required appropriate supporting information (e.g., business reason for change; recommended approach and alternatives; impact on the project, cost, and timelines). The Executive Sponsor's approval of these changes was required before proceeding.

The Ministry managed changes to IT systems electronically. It required support for the changes, approval to develop the changes, resolution of issues or system bugs, testing to validate changes worked as expected, and approval to move the changes into production.

For changes we reviewed, the Ministry followed its established processes including appropriate approvals.

5.6 Using Lessons Learned

We expected the Ministry would evaluate its project management processes. It would implement changes based on its evaluations.

The Ministry considered and documented lessons learned during Release 1.

It held sessions to discuss issues its staff and vendors found. It documented these discussions. It noted why issues arose and potential changes to prevent these issues from reoccurring in future releases. For example, the Ministry required a significant amount of manual labour to check that it put all data correctly into the new IT system for Release 1. This issue partly resulted because the Ministry did not sufficiently test that its reconciliation processes would work as expected. To overcome this challenge, it suggested testing a subset of data before working with all of the data to resolve issues in advance.

In addition, the Ministry identified next steps to implement the changes. We found that it had implemented some of these changes by January 31, 2017, and was planning to implement others as Release 2 progressed. For example, in January 2017, the Ministry started to track information about detailed project tasks differently to ease project reporting. None of the identified changes required adjustment to the RAMP Governance Model.

6.0 Selected References

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