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Extract from Rigsrevisionen's report on
**the Ministry of Taxation's financial
management of the project
concerning development of a new
public property assessment system**
submitted to the Public Accounts Committee



1849
147.281
237
1976
114.6
22.480
908

1. Introduction and conclusion

1.1. PURPOSE AND CONCLUSION

1. This report is about the Danish Ministry of Taxation's financial management of the project concerning development of a new public property assessment system. Rigsrevisionen initiated the study in January 2017.

2. The development and implementation of the new public property assessment system is embedded in a unit in the department of the Ministry of Taxation referred to as ICE (implementation centre for property assessment). Development of certain elements of the new system has been assigned to other government bodies, but this report addresses only development undertaken by the Ministry of Taxation.

The Ministry of Taxation initiated the development of the new public property assessment system immediately after the establishment of the ICE in October 2014. In November 2016, a number of political parties entered an agreement, which, according to the ministry, determined most of the requirements and functionality of the new system. The final requirements and functionality of the new system were definitively determined when the Property Assessment Act was passed early in June 2017. This timeline indicates that the development of the public property assessment system has been undertaken by the ministry parallel with the clarification and determination of the scope and contents of the new system, and the elaboration of legislation.

In the years following the establishment of the ICE, funding has been appropriated regularly to the development of the new public property assessment system over the Finance Act and through requests for in-year adjustments to the budget. According to the Ministry of Taxation, the latest in-year adjustment – granted in 2017 – brought total funding for the development of the new system at DKK 1.2 billion, up to the year 2020. The ministry has informed Rigsrevisionen that approximately DKK 690 million of this amount has been allocated to the development work undertaken by the ministry. The ministry has spent DKK 185.4 million on the development of the new system in the period from the establishment of the ICE in 2014 to the end of 2016.

NEW PUBLIC PROPERTY ASSESSMENT SYSTEM

The new public property assessment system is designed to contribute to ensuring the collection of land tax, service charge (municipal charge levied on business property) and property value tax, which together generate annual revenues of approximately DKK 42 billion for the state and municipalities.

Developing a new system for public assessment of property requires new legislation, provision of a better data basis, development of assessment models, assessment processes and a supporting IT system. The Ministry of Taxation is responsible for developing most of the underlying IT system.

Provision of a better data basis is carried out, in part, by other government bodies.

THE DANISH COUNCIL FOR IT PROJECTS

A government council established in 2011. Among its tasks is risk assessment of government IT projects with a budget of DKK 10 million or more.

3. The background for the study is fourfold: 1. Funding has been appropriated to the development of the new property assessment system on an ongoing basis. 2. It is a large and important project. 3. According to the Danish Council for IT Projects, it is a high-risk project, and 4. Upon agreement with the Ministry of Finance and the Inter-ministerial Project Office, the Ministry of Taxation is deviating from some of the budget guideline requirements that are designed to minimise risk in government IT projects. In the opinion of Rigsrevisionen, both the risk profile and framework conditions set for the project increase the need for tight financial management by the ministry.

4. The purpose of the study is to assess whether the Ministry of Taxation's financial management of the project has been satisfactory. The study is based on the principle that the ministry must adhere to generally accepted principles concerning financial management in the development of the property assessment system. The report answers the following questions:

- Has the Ministry of Taxation established an adequate basis for financial management of the development of the public property assessment system?
- Has the Ministry of Taxation's financial management of the development of the IT system, which is intended to provide the basis for public property assessments, been sufficiently tight?

CONCLUSION

It is Rigsrevisionen's assessment that the Ministry of Taxation's financial management of the development of the new public property assessment system has not been satisfactory. The ministry has not adhered to generally accepted principles concerning financial management of projects, neither in relation to establishing a basis for management nor in relation to following up on the interrelation between budget, consumption and deliveries. It follows that the financial management of the project should be considerably strengthened.

The Ministry of Taxation is of the opinion that it has not been possible to adhere to generally accepted principles concerning financial management of the project in the period before the political agreement laid down the final requirements and functionality of the property assessment system. The ministry emphasises that approximately two years passed, after the ministry had established the ICE, before a political agreement was reached on the new public property assessment system which determined the majority of the requirements and functionality of the system.

In the opinion of Rigsrevisionen, the ministries should always seek to provide a foundation for managing and monitoring the financial development of projects based on the knowledge available, at any given time.

The study shows that the foundation for the Ministry of Taxation's financial management of the project has been inadequate. The ministry's requests for in-year adjustments to the budget have generally not been based on documented estimates and assumptions. This practice has reduced transparency, and made it unclear how the ministry has estimated expenditure and potential increases in spending. Moreover, since 2015, the ministry's financial management has not been based on a budget that covers the entire development period. The budgets laid down by the ministry are based on salary costs, among other things, and not on deliveries. It has therefore not been possible for the ministry to monitor the inter-relation between budget, consumption and deliveries, neither during nor after completion of the development phases.

The study also shows that the Ministry of Taxation's financial management of the development of the IT system that is intended to provide the basis for the public property assessments, has not been sufficiently tight. The ministry follows up on progress made concerning individual deliveries, but is unable to monitor the cost of deliveries, because a system that facilitates registration of hours worked on specific deliveries has not been established by the ministry. This means that the ministry is unable to determine whether the planned, outstanding deliveries can be provided within the remaining budget.

Towards the end of 2015, a consultancy firm recommended that the Ministry of Taxation should provide insight into the price of the individual partial deliveries. The study shows that the Ministry of Taxation has not followed this recommendation despite the fact that the ministry in two requests for in-year adjustments to the budget made in 2016 and 2017 indicated that all recommendations would be fully implemented.

The Ministry of Taxation has informed Rigsrevisionen that it has already taken steps to improve the current financial management of the project and project deliveries, and is working on implementing more initiatives. The precise nature of these initiatives is to be identified and largely implemented by the end of summer 2017. The total operating expenditure of the project will be estimated by the ministry after the passing of the Property Assessment Act in June 2017.