



Extract from the report to the
Public Accounts Committee on
SKAT's (the Danish customs and tax
administration) system modernization
project

January
2015

revision
revision

revision

1. Introduction and conclusion

1.1. Purpose and conclusion

1. In 2004, the Danish customs and tax administration (SKAT) initiated a modernisation of its IT-systems, which is still ongoing. The system modernisation process is divided into two phases, each including three projects. Phase 1 was launched in May 2004 and included the following projects: *an infrastructure platform (ENS), an online self-service facility (E-tax Business) and a system for business tax assessment*. Phase 2 was launched in May 2006 and comprised *a web-based vehicle registration system (DMR), a system for handling transactions between businesses and SKAT (Tax account) and a common collection system (EFI)*. Appendix 2 provides an introduction to the individual system modernisation projects.

2. The launch of the ENS and E-tax Business projects in phase 1 in 2010 was delayed by approximately four years, and the projects were not completely finalised until 2014. Phase 2 is currently (end of 2014) delayed by approximately five years and SKAT's planned launch of the remaining part of the EFI system in December 2014 has been postponed. The Danish Ministry of Taxation has informed Rigsrevisionen that the length of the postponement is confidential. The first phase of the EFI system was launched in September 2013.

3. The purpose of this study is to assess SKAT's management of the six system modernisation projects, the performance of the overall system modernisation project against objectives set and the implementation of the EFI system in the organisation. The EFI system is the most important project in financial terms and the project that has suffered the greatest delay. The report answers the following questions:

- Has SKAT managed the overall system modernisation project in a satisfactory manner?
- Has SKAT measured the performance of the overall system modernisation project against the objectives set in a satisfactory manner, and has the EFI system been implemented in the organisation in a satisfactory manner?

Rigsrevisionen initiated the study in November 2013.

CONCLUSION

So far, SKAT's system modernisation has been delayed by up to five years and cost approximately DKK 1.5 billion, which is almost three times more than originally planned.

It is Rigsrevisionen's assessment that the six system modernisation projects have not been managed in a satisfactory manner by SKAT; the financial management has been inadequate and SKAT has been too willing to take risks considering that basic project management tools were not in place. Rigsrevisionen also finds that the measurement of project performance against objectives set has been unsatisfactory; SKAT has measured the performance of only two of the five fully launched projects, and only the measurement of the performance of one of these projects is considered satisfactory. SKAT is thus unable to demonstrate that the system modernisation projects completed and launched so far have led to the estimated savings in man-years. Lastly, Rigsrevisionen finds that the organisational implementation of the EFI system in SKAT has been less satisfactory, because SKAT has not worked out satisfactory disaster recovery plans.

Rigsrevisionen's study is focused on SKAT, but it should be noted that also the performance of the external suppliers has affected the outcome of the system modernisation project.

The management of SKAT's system modernisation was based on a recently developed project model, which included new management tools that were not, at project start in 2004, adjusted to support management of the six complex projects. The project model has, however, been expanded on an ongoing basis. Rigsrevisionen's audit of risk management shows that SKAT, during the system modernisation process, exhibited a high willingness to take risks, considering that basic management tools for controlling the project were not in place.

By June 2014, the total costs of the system modernisation were approximately DKK 1.5 billion. SKAT is unable to provide any documentation concerning budgets and accounts for the individual projects, which means that the calculation of the total costs of the system modernisation is affected by uncertainty. Rigsrevisionen does not find it satisfactory that SKAT is unable to provide such documentation. To this should be added that Rigsrevisionen's study shows that the management was not adequately informed of the development in the economy of the individual projects on a year-to-year basis and therefore had no general overview of the direction in which the economy of the system modernisation was headed.

The system modernisation projects have been delayed by up to five years due to, among other things, the complexity of the projects, their inter-dependence, the overall management of the system modernisation and problems with suppliers. Rigsrevisionen is of the opinion that despite the fact that SKAT has addressed all emerging issues on an ongoing basis and strengthened project management in 2009, 2012 and 2014, its management of the economy, financial reporting and risk has generally not been satisfactory.

SKAT has measured the performance of only two of the five fully launched projects, and only the measurement of the performance of one of these projects was considered satisfactory. So far, SKAT has achieved savings corresponding to only 190 man-years against the estimated 905 man-years. SKAT expects to measure the performance of the phase-1 projects in 2015. SKAT also expects to finalise the EFI project in 2015, and follow up on the performance of the Tax account system and the EFI system in 2016.

The problems that emerged after the stepwise launch of the EFI in September 2013 were more extensive than expected and forced SKAT to postpone full launch of the EFI system several times. SKAT now expects to achieve the planned total savings of 315 man-years generated from the implementation of the EFI system in 2016, at the earliest. In the opinion of Rigsrevisionen, neither disaster recovery planning nor management of resources in connection with the organisational implementation of the EFI system has been handled in a satisfactory manner by SKAT.