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# Inland Revenue

**Independent Quality & Technical Assurance**

**Business Transformation Programme**

**IQA6 / TQA5**

**Final version**

August 2017

[kpmg.com/nz](http://kpmg.com/nz)

## 1.2 Summary terms of reference

The terms of reference for this review were confirmed in the Consultancy Services Order agreed between IR and KPMG, dated 6th June 2017.

Our terms of reference address both Independent Quality Assurance (IQA) and Technical Quality Assurance (TQA) to provide stakeholders with a broad assessment of the status of the Programme, addressing governance, alignment to other programmes and organisations and technical delivery.

Our review was performed in May and June 2017, and we reviewed documents and artefacts that were current at that time. Consequently, a number of these artefacts were in draft and work-in-progress (our agreement with the Programme is that we review draft artefacts for context, and not critique them in detail), and may have been amended since.

Our approach has been to perform a risk based assessment taking into account the life cycle stage of the programme components, and in this report:

- The IQA6 review has focussed on whether the process for decision making is sound, decisions and conclusions reached are valid, and the programme governance arrangements and project controls (risks, resourcing, reporting, quality, etc.) are in line with expectations, robust and appropriate for a programme of this nature.
- The TQA5 review has considered the design for co-existence, testing, requirements traceability and integration.

The review includes findings and recommendations relevant to the context of the Design stage of the programme life cycle, and the detailed terms of reference are included in this document as Appendix 5.1.

## 1.3 Overview of our assessment

Our objective in this review is to provide our independent assessment of completion of the Design Phase and readiness to enter the Implementation Phase for Stage 2 of the Business Transformation Programme. In doing this, we have taken into consideration the Programme's iterative approach to delivery of some solution components, with the associated implication that the transition between 'design' and 'implementation' is, in practice, phased over a period of time.

Since our prior review (IQA5 /TQA4, December 2016), Stage 1 of the Programme has 'gone live', and preparation for Stage 2 has continued. The Stage 1 'go-live' was successful, qualified by some level of operational and usability issues that the Programme continues to address, in parallel with design for Stage 2. The Programme has conducted a comprehensive analysis of the Stage 1 experiences and challenges, in order to benefit from any available lessons and make changes to the Stage 2 approach, as necessary. We noted positive changes, in particular with respect to Programme structure and accountabilities, methodology, and the introduction of 'user-experience' insights, which aim to address some of these 'lessons-learned', and which will, in our assessment reduce the associated risks in Stage 2.

In general, the Programme overall continues to be managed in accordance with good industry practice, and we also noted some welcome improvements, since our prior reviews, with respect to the support processes and tooling (such as scheduling, dependency-management and document-control).

With respect to timescales, at the time of our review, the Programme's overall status reporting demonstrates that the Programme is behind schedule (by approximately 25% overall, with some tasks that are on the critical-path - such as process-definition and test-scripting- further behind schedule) primarily as a result of resource-constraints. At the time of our review, the Programme is pro-actively responding with a revised release-plan for the Stage 2 transition. This is, in our assessment, a prudent course of action, and we would be concerned if mitigating action was not being taken at this point.

(N.B. Our report generally reflects the status of the Programme without consideration of the revised release-plan, which was not finalised at the time of our review).



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Otherwise, we have noted the following summary points for consideration:

- **Governance:** The current governance mechanism continues to function effectively, and the positive trend noted in our prior review has continued, with regard to the quality of discussion and decision-making in the Governance forums. This is supported by increased transparency in the Programme reporting, and clearer delivery accountabilities.
- **Benefits Case:** The Cabinet approved the BT Business Case on 23<sup>rd</sup> November 2015, and we understand that recently IR's Executive Leadership Team ('E.L.T'). Re-affirmed their commitment to the benefits-case.
- **Programme Management Practices:** The approach to programme management continues to be robust and fit for purpose, and we noted some improvements, since our prior reviews, with respect to the support processes and tooling (such as scheduling, dependency-management and document-control). The Programme's controlling and support processes are, in our view, robust and fit for purpose.
- **Organisational Change Management:** Planning for organisational change is robust and we were pleased to note the continuing level of business leadership and commitment to the transformation. It is also apparent that the ongoing consultation process for the upcoming organisation transformation has solicited a high level of staff feedback and engagement, and E.L.T, the Programme team and Governance forums will need to manage carefully the impact of the organisational transformation, in parallel with the Stage 2 transition.
- **Solution Detailed Design:** The detailed design for the core system solution is following an iterative approach, which takes its cadence from the FAST methodology, and integrates this with the necessary third-parties and IR ('heritage') estate. The Programme team have implemented a number of detailed changes with respect to workstream structure, function and accountabilities, as a result of 'lessons learned' from Stage 1, and indications are that this has been effective in improving understanding, team-working and co-ordination at the operational level.
- **Coexistence:** This is a challenging area for the programme and carries a level of risk to the overall timelines, due to the highly integrated nature of the legacy systems that will have to be suspended or de-commissioned in stages as the START deployment rolls out for Stage 2.

We have noted also several areas where additional focus would be beneficial. These include:

### **Organisational transformation**

At the time of our review, IR's consultation process was in progress (as a part of the Organisation transformation exercise). As a consequence, it is apparent that the organisational redesign has become very topical for all staff, as well as IR's leadership. The organisation is engaged with consultation, and those members of ELT that we have interviewed remain supportive & engaged in the change, while being very focussed on the scale and complexity of the challenge, and the need to sustain the operational performance through the transition period. This will require continuing active management, as the organisation (and some of the leadership team) transition, in parallel with the Stage 2 implementation activity.

### **Resourcing**

We noted that some resource-constraints are currently impacting progress with Stage 2. These are the result of inherent constraints with respect to subject matter experts, and the increased task-load in Stage 2. There are also some less-tangible impacts to resourcing, such as the residual disruption to accommodation from last year's earthquake, and the consultation process related to the organisation re-design. Overall, though, capability, motivation and morale in the team appears to be high, and the Programme is actively working to provide more support and capacity to the teams that are over-committed

### **Timescales and Schedule**



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Since our prior IQA 5 and IQA4 reviews, where we made recommendations with regard to Programme scheduling, the Programme has succeeded in improving the workstream integration, dependency-management, task scheduling, and associated controls, across the Programme. At this point in Stage 2, the Programme overall is reporting that progress is behind schedule, with a schedule-performance variance of approximately 25%. However, it is apparent that some of the critical-path activities (e.g. process-definition and test-scripting) are more substantially delayed, largely as the result of resource constraints in key areas. At the time of our review, the Programme was in the process of re-scheduling the Stage 2 / Stage 3 activity, with the intention of mitigating the stress on Stage 2 timescales and critical-path. This is prudent, in our assessment, and we support the Programme's early decision on the point.

### **Implementation approach for COTS package**

Our prior reports have commented on the need to integrate delivery services from the two principal third-party providers (Accenture and FAST Enterprises, each having their own preferred methodology; FAST's approach being oriented towards implementation of 'commercial off-the-shelf' ('COTS') software, and using a more iterative approach than the more traditional 'waterfall' model).

In this review, it is apparent that the 'ways-of-working' are now better-integrated across teams, and this is, in part, a result of some of the Stage1 'lessons learned'. Changes have also been made to team structure, and some of the accountabilities have been clarified, in order to allow IR to perform the 'service aggregator' role effectively, and allow suppliers to complement IR's capability.

A related issue, that has become apparent as a result of a post-implementation review of the Stage1 testing processes by the Programme, is that a relatively high level of issues were reported in the START component, in particular, once deployed in production. We believe that the Programme should make further efforts to optimise quality across the Phase 2 solution, and also to ensure that stakeholders have realistic expectations (in that a COTS product, such as GenTax, is not bespoke to users' requirements, as their legacy systems may have been).

We note that the Programme has already made progress in this latter respect, by commissioning a customer-experience workstream to contribute to the solution design.

### **Stakeholder Management & communications**

The Programme's approach to stakeholder engagement and communications has been modified in some key respects, in the light of the Stage 1 experience. We expect that this will reduce the associated risk in Stage 2, once fully-effective, and the Programme should continue to monitor carefully the effectiveness of the stakeholder and communications effort

### **Summary**

From the assessment above, it will be clear that, in general, the Programme continues to be well managed as it progresses towards both its short and long term goals. Programme control remains good (indeed in many areas the programme continues to be among the most effective we have seen), and generally, the Programme continues to demonstrate the characteristics of a high performing team, where IR is now functioning more effectively in the 'service aggregator' role, and facilitating improved partnership working between its suppliers, to secure the desired Programme outcomes.

Our overall assessment is also reflected in the distribution of our individual topic assessments based on the review section headings. These are noted below (with the results from our prior report, for comparison).

