



Inland Revenue

Independent Quality and Technical Assurance

Business Transformation Programme

IQA 9/TQA 8

Final v1.0

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kpmg.com/nz

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1 Executive Summary

This report presents the findings from the KPMG Independent Quality Assurance Review 9 (IQA9) and Technical Quality Assurance Review 8 (TQA8) of the Inland Revenue Business Transformation Programme (BT Programme).

The objective of this review is to provide independent assurance to the Programme Sponsor, taking into account the perspectives of relevant stakeholders, and external monitoring agencies.

1.1 Background to our review

Inland Revenue (IR) has been working to meet the Government's expectations of a Public Sector that delivers smarter, modern services for less, and where applicable, is aligned to the Government's Strategy and Action Plan and to meet IR's own strategic ambition of being a Government organisation that delivers world class services to its customers and stakeholders. During 2011, IR began a journey to reduce the risk of its aging revenue system, by making the case for substantial re-investment in the organisation and its ICT systems; this became the Business Transformation Programme ('BT').

Following the presentation of the Programme Business Case to Treasury, the Minister and Cabinet, the Transformation Programme entered the Mobilisation Phase in December 2013. The Programme Business Case was approved by Ministers in the first quarter of 2014, and a Cabinet paper that sought drawdown of funding was approved in April 2014 for the Programme through to the beginning of January 2015, the Pre-Design phase. During the Mobilisation and Pre-Design Preparation phases of the Programme, Accenture were selected as the Programme partner for the High Level and Detailed Design phases, and during the High Level Design phase a procurement process was undertaken to select a Commercial off the Shelf (COTS) solution to provide core tax processing capability. FAST Enterprises ('FAST') were selected as the vendor and have been working with IR since August 2015 to develop the requisite systems' functionality. Release 2 of the BT went live in April 2018 and in line with the planned deployment approach, Release 3.0 is scheduled to go live in April 2019.

Release 3.0 will:

- move income tax and Working for Families ('WFF') products from FIRST to START (including enhancing these as appropriate), and introduce new approaches to meeting tax obligations and paying tax
- introduce the data and intelligence platform, the new capability to implement and operate the platform, plus a select number of models using the new platform
- move IRD's 'Digital' capability forwards, in the following three key areas:
 - Integration and Onboarding
 - Implementing a new MyIR (E-Services) as a new landing page and to support the processing of all tax products
 - the revamping of www.ird.govt



- provide intermediaries, software providers and other government agencies with access to improved gateway services offering better data exchange capabilities, and new self-service onboarding capability will make it easier for our customers to adopt and use the gateway services
- progress with the Intelligent Workplace – referred to as new ways of working, new tool sets and equipment to support IR’s direction with networked teams, more remote working etc.

Release 3.0 is significantly larger in scale and complexity than either of the two previous releases and will therefore put increased pressure on the cutover ‘window’, with a consequent elevated level of risk through the transition period.

1.2 Summary terms of reference

To support the delivery of the Programme, IR has engaged KPMG to provide Independent Quality Assurance (IQA) and Technical Quality Assurance (TQA) across the Programme. This review follows prior KPMG reviews through the earlier Programme stages, and the detailed approach and scope are set out at Appendices 5.1 and 5.2. The terms of reference for this review were confirmed in the Consultancy Services Order agreed between IR and KPMG, dated 14th December 2018.

Our terms of reference address both IQA and TQA, in order to provide stakeholders with a broad assessment of the status of the Programme, and our review was performed in January and February 2019, when 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 stage of the Programme lifecycle, and in this report:

- The IQA 9 review has focussed on readiness for Release 3.0 ‘go live’ primarily from a solution, change-management and stakeholder engagement perspective. We have also considered the Programme’s governance, project-management practices and readiness decision-making frameworks, to verify that they remain robust.
- The TQA 8 review has considered data migration, as well requirements traceability and environments management. We have also reviewed the testing strategy and the approach to co-existence subsequent to Release 3.

As such, the scope of this review is more specific than our prior reviews, and the results are therefore not directly comparable with our prior reports. The review includes findings and recommendations relevant to the current stage of the programme life cycle, and the detailed terms of reference are included in this document as Appendix 1. We have also considered the Programme’s progress on recommendations made under prior reviews.



1.3 Overview of our assessment

Since our prior review (IQA 8/TQA 7, October 2018), the Programme has continued to address learnings from prior releases, and in particular, we were pleased in this review to note:

- The continuing effectiveness of the Programme governance and management processes; these have scaled-up effectively in this release to ensure that the Programme remains well-controlled, and results in an advanced state-of-readiness for Release 3.0
- The effectiveness of the programme readiness and business-readiness processes, that afford a transparent and granular view of status, and allow executive and governance stakeholders to understand how readiness for Release 3.0 has matured over time
- The improvements to scope-control and change-management that have led to improved confidence in the quality of the systems' solution for Release 3.0, and the ability of the team to deploy resources towards deliberate and targeted improvements to that solution
- The positive commentary from third-parties regarding the ongoing efforts to improve stakeholder communications, and engagement with customers and third-parties. In this respect, the 'ACE teams' have also had a notable, positive impact in building confidence and readiness in key aspects of the solution.

At the summary level, at this point in the lifecycle the BT team (and the broader organisation) are generally doing all that they reasonably could, in our assessment, to prepare for the 'go live', while understanding and mitigating the associated delivery risks. The BT Programme remains well-controlled, on-schedule (in general), and the critical-path to 'go live' is well-understood. While some risks to the schedule remain, these are generally well understood, and the Programme continues actively to manage the areas that are problematic.

At the time of our review, the BT Programme is reporting an overall 'Amber' status. In our view, though that could imply a more negative view than is reflected in our detailed findings, where we find the Programme controls and risk-mitigations to be generally effective. However, we have also noted (in the body of our report) some specific aspects of the solution that are currently behind schedule, and where the level of residual risk is potentially significant. Furthermore, we have reflected previously that IRD would be prudent to enhance the level of operational resilience and contingency-planning, just because of the scale of Release 3.0 (and the difficulty of predicting customer behaviour at this scale, in the face of any post-go live issues). It is on the basis of the quantum of the residual risk (related to the 'unknown unknowns', rather than the BT Programme status and controls), that we concur with BT's own overall 'Amber' assessment.

With respect to that residual risk, we are pleased to note, in this review, the evolution and incorporation of the Early Life Support function into the planning for the Extended Support Period; this extended initiative should be an effective approach to mitigate the risk of post-go live operational impacts, but much work remains to have this fully-established and effective, and we recommend that IRD pay close attention to secure the necessary progress in this area.

We have also noted also some other solution components where significant residual risk remains, with the potential for adverse post-go live impacts. These include:

- Progress in Technical (non-functional) testing, which has been substantially delayed to-date, and testing readiness of E-File and E-Services solution components
- Data migration, and specifically the progress in the outstanding 'should do' data items, to understand the residual risk of any that are likely to remain incomplete at 'go live'



— IT&C readiness, where some remediation action from last June’s outage remains outstanding, and we found some general ‘optimism bias’ in the overall operational readiness reporting from IT&C.

We recommend that PGC and ELT pay particularly close attention to the short-term progress in these areas, in order to understand the residual risk post ‘go live’.

Although our scope in this review is specifically to consider readiness for Release 3.0, we received some anecdotal feedback about the degree to which the necessary focus on the current release was impacting the ‘run ahead’ activity on Release 4.0. Notwithstanding the criticality of Release 3.0, in the medium-term PGC will need carefully to assess the residual impact and prognosis for Release 4.0, which will be no less challenging.

