



Inland Revenue
Te Tari Taake

Inland Revenue report: Deloitte and Gateway reports - Independent quality assurance on the Business Transformation Programme

Date:	4 November 2014	Priority:	Low
Security level:	In confidence	Report number:	IR2014/520

Action sought

	Action sought	Deadline
Minister of Revenue	Note the contents of the report and attachments, and refer a copy to the Minister of Finance	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Greg James	Deputy Commissioner, Change	Withheld under s9(2)(a) of the OIA

4 November 2014

Minister of Revenue

Final Deloitte and Gateway reports - Independent quality assurance on the Business Transformation Programme

In September 2014, we provided the initial findings of the independent quality assurance (IQA) Gateway review and the Deloitte Governance and Management review to your office and to the Corporate Centre.

The initial findings were released to support the Corporate Centre's review of the design and digital services business case that we expect will be considered by Cabinet in November 2014.

We are now able to release the final reports, along with Inland Revenue's response to the review recommendations and the department's action plan. These are attached and will also be copied to the Corporate Centre for their information. No substantive alterations have been made to the reports since the initial findings were released.

Summary of findings

Gateway

The Gateway process is an assurance methodology for major investments and is Cabinet mandated for high-risk capital projects. It reviews programmes at key decision points in their lifecycle, providing assurance that they can progress successfully to the next stage.

The Review Team found that the strategic case for change remains strong, and that there has been considerable progress since the last Gateway review. Programme planning has been informed by significant research, a milestone has been reached in terms of capability and skills, and Inland Revenue is now well positioned to meet the needs of IR for the Future.

The report noted that Inland Revenue has recognised the change activities the programme needs to co-ordinate, and there is good appreciation of the reliance on Inland Revenue leadership to own and drive change within the organisation.

Challenges identified related to sustaining capability, relationships with the Corporate Centre, alignment between Inland Revenue and emerging all-of-government initiatives, funding for tactical and design activities, and incremental benefit realisation (to avoid Ministers being locked into a 10-year financial commitment).

Overall, the review rated delivery confidence as AMBER: "Successful delivery appears feasible but significant issues exist requiring management attention. These appear resolvable at this stage and if addressed promptly, should not impact delivery or benefits realisation." Reviewers added that the challenges "do not constitute significant issues as per the AMBER

definition but nonetheless do need to be addressed promptly. Given the risk, size and timeline of the programme, this is not unusual”.

It concluded that “the programme is on a firm footing and there is every prospect that it could proceed towards improved delivery confidence status as uncertainty is driven out.”

Deloitte Governance and Management review

In addition to the Gateway review, Inland Revenue independently commissioned Deloitte to advise on any weaknesses or risks in the programme’s governance and management (including how to resolve or mitigate them). This review was led by Murray Jack, Chairman of Deloitte NZ, who has led other significant reviews in the Public Sector, particularly the reviews of Novopay and the independent review of the Ministry of Social Development’s Information Systems security.

The review team noted significantly developed capability across the programme; new and comprehensive governance structures with members who had taken time to understand the context and nature of their part of the programme; and appropriate discipline and rigour in management frameworks for programmes of this scale. It also noted that lessons from other large-scale programmes were well understood, and that there was commitment to ensuring fit-for-purpose project management approach and disciplines.

In addition, the review raised the importance of independent quality assurance and the need to have confidence in assurance activities; and the need to reset the relationship and engagement model with the Corporate Centre and GCIO.

Further challenges included the tensions between the programme and business as usual, and building external and internal stakeholder confidence in the programme’s capability to meet expectations.

Review recommendations

Gateway reviewers made six recommendations to the Senior Responsible Office (SRO). Of these, four were tagged as “Do Now (critical)”:

- sequence the business cases to more clearly articulate the benefits relating to each investment decision and the dependencies on future decisions
- increase the visibility and presentation of the risk/reward profile for all relevant investment options
- establish (in agreement with the Corporate Centre) an assurance review schedule that consolidates recommendations and responses
- position the programme as a cyclical sequence of 2-3 year tranches of strategically aligned delivery activity, accruing benefits and transferring responsibility for service delivery to BAU incrementally (this is to contrast with the common perception of Business Transformation as a single 10-year block of investment).

These recommendations are currently being addressed, and two have plans already in progress.

As the Senior Responsible Officer, I have added a further eight recommendations which are detailed in attachment I.

The Deloitte Governance and Management review covered nine assessment areas (as shown below), and did not identify any major risks or issues requiring urgent action.

The 30 recommendations covered:

- programme governance
- programme management and reporting
- capability
- quality management and assurance
- communication and stakeholder management
- scope, schedule, cost and risk and issue management
- organisational change management
- procurement management and benefits realisation
- vendor management.

The department did not dispute any of the recommendations, and noted that in two-thirds of the cases, plans to address the points raised were already in progress.

Next quality assurance reviews

Two further sets of IQA reviews are due to begin in November 2014. These are the KPMG IQA2 and Technical Quality Assurance (TQA), and the Office of the Auditor General (OAG) performance audit which is part of the Treasury Major Project/Programme triannual reporting process. Both are scheduled to start on Monday 10 November.

The KPMG IQA2 is a general programme health check and follows on from the KPMG Programme Baseline Review, the two parts of which were released in March and July 2014.

IQA2 will cover the main areas of programme governance including managing scope, time, costs, resource, risk, stakeholders, communications, quality, organisational change, benefits realisation and procurement. A technical quality assurance will be carried out at the same time. This will cover design governance, design process and work products, and technical transition and readiness for design phase.

The OAG performance audit, as part of the Treasury Major Project process, contributes to a report that will be tabled in Parliament in June 2015. Preliminary audit results will be available at the end of February 2015, and a draft report available for comment in April 2015.

Recommended action

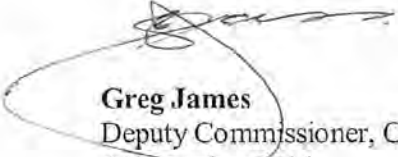
I recommend that you:

1. **Note** the content of the report and attachments.

Noted

2. **Refer** a copy of the report to the Minister of Finance.

Referred



Greg James
Deputy Commissioner, Change
4 November 2014

Hon Todd McClay
Minister of Revenue
/ /2014