Inland Revenue

Independent Quality and Technical Assurance

Business Transformation Programme

IQA 8/TQA 7

Final v1.1

December 2018

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1 Executive summary

This report presents the findings from the KPMG Independent Quality Assurance Review 8 (IQA8) and Technical Quality Assurance Review 7 (TQA7) 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 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 is scheduled to go-live in April 2019.

Release 3 will:

— Move income tax and Working for Families Tax Credits from FIRST to START

— Deliver a new year-end process for finalising income for individuals

— Introduce new reporting requirements for employers and payers of investment income will take effect

— Transition the 'Customer Master' from FIRST to START

— Deliver a number of other deployments for Intelligence-Led, Intelligent-Workplace, XIAMS, micro services and a re-design of the Inland Revenue Website.

Release 3 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 risk through that 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 6 August 2018.

Our terms of reference addresses both IQA and TQA to provide stakeholders with a broad assessment of the status of the Programme, and our review was performed in September and October 2018, 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 life cycle stage of the Programme components, and in this report:

— The IQA 8 review has focussed on a review of the Gentax solution detailed-design, and the general progress towards Release 3. We have also considered the Programme's approach to customer-engagement, the Governance and the project-management practices

— The TQA 7 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 7/TQA 6, May 2018), the Programme has successfully stabilised the Release 2 functionality in production use, and preparation for Release 3 (and latterly Release 4) has continued; the Release 2 'go-live' was successful, qualified by some level of operational and usability issues; IRD was also impacted by some infrastructure issues (some 2 - 3 months after the Release 2 'go-live'), that resulted in degradations to customer service through the MyIR portal, and consequent detrimental knock-on impacts to the customer contact centre, and we noted that IRD is pursuing mitigations to reduce any risk of recurrence of similar issues.

The Programme conducted a comprehensive review of the Release 2 experiences and challenges, in order to benefit from any available lessons. In this review, we have been pleased to note the effect of those learnings, and the Programme's ongoing focus on continuous improvement, as it faces into Release 3. We have reported previously, and it continues to be the case, that overall the Programme is consistently amongst the best performing in our team's global IQA experience.

In our IQA7 report we noted that the BT Programme reached an inflexion point with Release 2, and anticipated the need for the Programme activity to become increasingly business-led, rather than technology-driven. Since then the ELT have re-affirmed their focus on business transformation around a refreshed view of how the remainder of the journey will be conducted, in the context of the learnings to-date, and we have noted many examples of this welcome shift of emphasis in our current review (including the commissioning of Accelerated Customer Enablement ('ACE') teams), to provide a business-led drive on critical aspects of Release 3.

With respect to the state of general progress, and preparedness for Release 3 'go live', at the time of our review the Programme's overall status reporting demonstrates that the Programme is tracking slightly behind schedule, with some specific pressures finalising the solution design for Release 3 that results in a 'light red' status in one work stream, at this point, and the Programme's overall self-assessment is 'Amber'. Our assessment is that the Programme's reporting is a transparent and accurate reflection of the status; the 'light red' callout seryes to focus attention on necessary remediation, and the Programme Governance will need to monitor the associated 'go-to-green' remediation plan carefully in the short-term.

The team are also working hard to challenge any potential complacency, and understand the impact of the residual risks for Release 3 on the 'go live' timetable, and IRD's operations. In our assessment, the BT team (and the broader organisation) are generally doing all that they reasonably could do, but the level of residual risk is not insignificant (in part because of the significantly increased user-base in Release 3). Consequently, it is critical that the Programme controls scope and manages its contingency carefully in remediating pressure on the schedule, and the Business Readiness Assessment process will also be critical to achieving confidence in the 'go-live' readiness; the planning for this is in-hand, but the decision-making landscape will be highly complex. Furthermore, as IRD have experienced some disruptions in each of the prior releases, we believe it would be prudent for the business to raise the emphasis on business continuity/contingency planning, and the need for some enhanced operational resilience to deal with any potential disruption post Release 3.

Through the course of this review, we have also interviewed many representatives from third-party stakeholders, to understand feedback on the Programme, and the preparations for Release 3, from the broader ecosystem. The resulting feedback was generally positive about the Programme, and very supportive of the progress towards the Programme objectives; we were also encouraged by the feedback from many of these stakeholders who understood that there may be 'teething troubles', given the scale of Release 3, and who are keen that IR engage pro-actively with the broader community to help mitigate these, support and work with their customers, through the transition to Release 3.