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Inland Revenue

Independent Quality and Technical Assurance

Business Transformation Programme

IQA 7/TQA 6

Final version

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1 Executive summary

This report presents the findings from the KPMG Independent Quality Assurance Review 7 (IQA7) and Technical Quality Assurance Review 6 (TQA6) 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. At the present time, Stage 1 is live and the Programme is preparing for the 'go-live' of Release 2 (planned for April 2018), whilst preparing (in parallel) for Release 3 in 2019.

Release 2 is planned for implementation in April 2018, and will:

- Provide a 'pay-as-you-go' option for small businesses for their provisional tax – the Accounting Income Method ('AIM')
- Help combat global tax avoidance through the implementation of the Automatic Exchange of Information ('AEOI') with international tax treaty partners
- Enable employers to send their information to IR digitally and on payday if they choose to do so
- Make it easier for customers to meet their obligations for withholding taxes, fringe benefit tax, payroll subsidy, and gaming machine duty by moving them to new systems and processes
- Collect income information in START so that pre-population of individuals' information can begin.

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. We have also considered the Programme's progress on recommendations made under those prior reviews.



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 7 December 2017.

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 January and February 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 7 review has focussed on the 'go-live' readiness for Release 2 of the Programme from both a solution and a business readiness perspective, with an emphasis on solution quality, business readiness, change management and training. Alongside this, we have considered the Programme's performance in a number of other areas, though at a "lighter" level, as these have been demonstrated to be under good control in our recent reviews
- The TQA 6 review has considered the readiness of the technical environments required for Release 2, together with supporting infrastructure and deployment activities such as Disaster Recovery planning, data migration, systems availability and legacy system decommissioning.

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.

1.3 Overview of our assessment

Our objective in this review is to provide our independent assessment of the current status of the BT Programme, and particularly the readiness to deploy Release 2 into production use.

1.3.1 Programme readiness for Release 2

Since our prior review (IQA 6/TQA 5, August 2017), the Programme has successfully stabilised the Stage 1 functionality in production use, and preparation for Release 2 (and latterly Release 3) has continued; the Stage 1 'go-live' was successful, qualified by some level of operational and usability issues, and the Programme conducted a comprehensive analysis of the Stage 1 experiences and challenges, in order to benefit from any available lessons. In this review, we have been pleased to note the effect of many positive changes as a result, in particular with respect to Programme structure and accountabilities, methodology, stakeholder communications and the introduction of 'customer-experience' insights, which aim to address these 'lessons learned'. Through the course of this review, we have also interviewed some representatives from third-party stakeholders, who are generally positive about the Programme, and IR's response to the Stage 1 experiences, they commented specifically on the improved responsiveness experienced with the new platform, compared to that with the prior 'legacy' systems.

With respect to the state of preparedness for Release 2 'go live', at the time of our review the Programme's overall status reporting demonstrates that the Programme overall is tracking very close to schedule, and there were no material timescale pressures on the Release 2 'go live' apparent during our review.

The test strategy, approach and plans for Release 2 have benefitted from the learnings applied from Stage 1, and the test execution is generally on-schedule and managed effectively. We have noted some residual risk here with respect to solution quality, and have noted that the Programme has ongoing plans to improve this (in part by incorporating 'Customer Experience' thinking earlier in the lifecycle).



The team are also working hard to challenge any potential complacency, and understand the impact of the residual risks. In our assessment, the BT team are generally doing all that reasonably they could do, but the level of residual risk is not insignificant (in part because of the significantly increased user-base in Release 2) and IRD are better-placed after the experience in Stage 1, to deal with any potential disruption in Release 2.

1.3.2 Organisational readiness for Release 2

On the business front, the transformation to IRD's new organisation and operating-model, implementation of three new organisational groups – Customer and Compliance Services Individuals, Customer and Compliance Services Business, and Information and Intelligence Services – was coming into effect during the course of this review, and this has some potential for distraction or disruption to the organisational readiness for Release 2.

Specifically there have been:

- Some related industrial-relations challenges (although we understand that these are now substantially mitigated).
- Staffing transitions throughout the management and executive staff, associated with the new organisation design.
- Some members of the BT Programme team who will be transitioning to substantive roles in the new organisation.

That said, the planning for organisational change is robust, and we were pleased to note the continuing level of business leadership and commitment to the transformation.

The Programme's over-arching readiness framework is, in our assessment, exemplary of 'good practice' for Programmes of this kind, manages a comprehensive checklist that monitors readiness through six checkpoints, and demonstrates a good level organisational readiness at this point. Nonetheless, the Programme has acknowledged substantial residual risks associated with this release (which primarily derives from the scale of Release 2); these, in our assessment, are being effectively mitigated to the extent practically possible by the Programme, its governance groups, and IRD's ELT.

1.3.3 Other matters – medium-term planning

Our focus in this review has primarily been on readiness for Release 2, but given that the Programme is concurrently in the process of running preparations for Release 3 (for 'go live' in April '19) in parallel with the run-up to 'go-live' of Release 2, we have a number of observations related to the medium-term preparation for Release 3, as a result of our fieldwork in other scope areas. We have covered these points in more detail in section 3.16 'Medium term preparations' below.

With respect to the medium-term (post-Release 2) we have noted the following summary points for consideration:

- The Programme is employing the concept of 'Blue Lane' and 'Orange Lane' activities where 'Orange Lane' change releases focus on, for example, Data and Intelligence, Customer and Digital, Intelligent Workplace (where additional benefits/improved return on investment might be gained using a more rapid release cycle), and 'Blue Lane' represents major START releases, which will remain focussed on the robust transition of tax and social policy products. While we support this approach, our experience with other clients is that such a transition can be challenging on a number of levels, and will need considerable focus and commitment, to build the desired capability.
- After Release 2, the BT Programme reaches an inflexion point, as the Programme activity will become increasingly business-led, rather than technology-driven. In our view the timing will then be right for the ELT to re-confirm 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. This will ensure the continued alignment of the whole team (including the newer executives) to sustain, and potentially refresh, the ELT vision of the longer-term potential for leveraging the START platform (which should incorporate thinking on how ELT will direct the 'Orange stream' activity, as well as the extended capability of START)



- It would also be timely, after Release-2.0, to refresh the focus on how the organisation will exploit the START platform to support continuous improvement, and leverage the investment in START, thus far, to realise further operational improvements.





1.3.4 Summary

In summary, our assessment is that the Programme demonstrates a good state-of-readiness for Release 2 'go live'.

It will be clear from the body of our report (below) that, in general, the Programme continues to be well managed as it progresses towards both its short and long term goals. Programme performance remains good (indeed in many areas the Programme continues to be among the most effective we have seen), and our detailed findings should be read with that over-arching observation in mind.

Generally, the Programme continues to demonstrate the characteristics of a high performing team, which is self-aware and implementing continuous improvements to process, controls and methodology, where appropriate. IR is also seen to be functioning effectively in the 'service aggregator' role, and facilitating improved partnership working between its suppliers, to secure the desired Programme outcomes while allowing suppliers to 'play to their strengths'.

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 (noting that the scope of the current review was different to our prior review, and therefore not directly comparable).

Priority	Definition	IOA 7/TOA 6	IOA 6/TOA 5
	Major Risk/Issue – Potential 'showstopper' and likely to have a significant impact on time, costs or quality. Substantial improvements recommended.	0	0
	Medium Risk/Issue – May have an important impact on time, costs or quality. Some improvements are recommended.	5	6
	Low Risk/Issue – Some improvements may be indicated.	12	4
	Good practice – Well controlled but minor efficiency improvements may be required or recommended.	8	11
TOTAL		25	21

Our findings, in full, are set out in sections 2, 3 and 4 below:

- Section 2 reflects our overall IOA / TQA findings related to readiness for Release 2 'go-live'
- Section 3 reports the findings from the lighter-touch 'maintenance' reviews



— Section 4 reports on the TOA scope.

We would like to thank the Programme Leadership, Management team and participants for their support and cooperation whilst we have performed this review.



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