



## **Inland Revenue report: Transformation status update: August 2019**

<b>Date:</b>	09 September 2019	<b>Priority:</b>	Medium
<b>Security level:</b>	In confidence	<b>Report number:</b>	IR2019/371

### **Action sought**

	<b>Action sought</b>	<b>Deadline</b>
Minister of Finance	<b>Note</b> the contents of this report	None
Minister of Revenue	<b>Note</b> the contents of this report	None

### **Contact for telephone discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>
Ron Grindle	Acting Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA

09 September 2019

Minister of Finance  
Minister of Revenue

## Transformation status update: August 2019

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### Executive summary

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1. This report summarises the progress and highlights of transformation for August 2019.

2. Release 4 remains on track. As planned, we have completed 80% of the business function definitions (which describe what the solution needs to do for a particular activity) required for the release. The START design and development workstream is back on schedule and business system testing (making sure START works as expected) is proceeding to plan. We have completed impact assessments and know where we need to focus our efforts to ensure both customers and Inland Revenue are ready for the changes. We have begun planning the marketing and communications activity that will support customers and how we will manage the risk of Release 4, the second round of automatic assessments and some first-time business events, for example the rollover of Working for Families in START (this is when entitlements for the following year are estimated and communicated to customers), all occurring during April to July 2020.

3. The second release in Ātea,<sup>1</sup> which will shift finance, procurement, and some of our human resources functions to new systems and processes, is on track to go-live on 1 October 2019.

4. Transformation's Red, Amber, Green (RAG) status remains at light amber overall this month (as shown in table 1 below). There has been no change in the status of any of the ten reporting keys.

Table 1: Transformation's RAG status

	Overall	Scope	Risk	Issues	Inter-dependencies	Schedule	Resource	Stakeholder Engagement	Delivery Partners	Financials	Benefits
CURRENT	Light Amber	Light Green	Light Amber	Light Amber	Light Green	Light Amber	Light Amber	Light Green	Light Green	Green	Light Amber
PREVIOUS	Light Amber	Light Green	Light Amber	Light Amber	Light Green	Light Amber	Light Amber	Light Green	Light Green	Green	Light Amber

5. The overall budget (excluding the contingency held by the Commissioner) for the transformation programme, from 1 July 2019 until 30 June 2020, is \$221.6 million for operating expenditure and \$90.1 million for capital expenditure. These amounts have increased by \$3.5 million for operating expenditure and \$0.3 million for capital expenditure following a draw down on the contingency held by the Commissioner resulting from the change in go-live date from 1 July to 1 October 2019 for the second release in Ātea.

6. From 1 July 2019 to 31 July 2019, operating expenditure was \$14.5m and capital expenditure was \$7.6m. Based on current forecasts, we expect to complete the delivery within budget (including contingency) for operating and capital expenditure by 30 June 2020.

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<sup>1</sup> The name we have chosen for our new enterprise support services platform. These are the internal processes and systems that support the day-to-day running of Inland Revenue.

### **Recommended action**

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10. I recommend that you **note** the contents of this report.

Noted

Noted

#### **Ron Grindle**

Acting Deputy Commissioner, Transformation  
09 September 2019

#### **Hon Grant Robertson**

Minister of Finance  
/ /2019

#### **Hon Stuart Nash**

Minister of Revenue  
/ /2019

## Key risks and issues

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11. The programme's risk profile remains light amber with a future trend of light amber. A light amber profile means that appropriate mitigations are in progress and are expected to be successful. There is no expected impact on key dates.

12. One new issue (risks that have been realised) was reported to the Portfolio Governance Committee (PGC) during the month. The issue relates to slow network performance for some of our as-a-Service internal applications. There is no impact to any customer-facing services. To mitigate this issue we have a piece of work underway looking at optimising our technology, both heritage and new services. We are also undertaking performance testing for the implementation of the second set of services on Ātea similar to that completed for myIR. This testing gave us confidence that myIR could handle the expected load resulting from automatic assessments.

13. As at August 2019, the programme had a total of 47 open risks,<sup>2</sup> of which 13<sup>3</sup> are reported to the PGC.

14. The escalation level of one risk previously reported to the PGC was revised during the month. The risk relates to being able to retain people with the right skills. The risk has been refocused on retaining Inland Revenue people with the right skills for the remaining two releases and the overall risk rating has improved. As a result, this risk is now reported to the programme leadership team and not to the PGC. A separate risk relating to retaining the external resources working on transformation will be raised shortly.

15. A new risk was reported to the PGC during the month relating to Pou Whirinaki (extended support) and early life support for Release 3 ending in September 2019. Some first-time business events for Release 3 products, for example the rollover of Working for Families, will occur at the same time as or in close proximity to the implementation of Release 4. There is a risk that key business events will not be co-ordinated across the business. Our initial mitigations are to complete the deployment plan and customer impact assessments for Release 4 and agree with the business which areas require close attention. The rating for this risk is high; it is possible the risk will occur, with moderate consequences if it did.

16. The status of two risks reported to the PGC has improved during the month. The risk relating to the time taken to resolve major incidents has improved from very high to high due to proactive monitoring and management. The risk relating to the impact of co-existence on our ability to meet our agreed performance targets has improved from high to medium. Co-existence means there is still some complexity, however not as much as there was prior to Release 3.

17. The status of one risk reported to the PGC has deteriorated during the month. The likelihood of the risk relating to continued pressure on the business and competing priorities impacting the availability of resources for Release 4 has increased from possible to likely. The overall risk rating has not changed and remains high.

18. The top risks for transformation are support for heritage systems ending in 2021, the timing of benefit realisation, and meeting the planned go-live date for Release 4. Mitigations are in place for all risks.

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<sup>2</sup> The number of open programme risks has decreased by one; one new risk was opened and is reported to the PGC and two existing risks managed at programme level were closed.

<sup>3</sup> One risk is no longer reported to the PGC and a new PGC risk was accepted during the month.

## **Release 4**

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19. While not without risk, Release 4 remains on track for April 2020 with significant milestones being achieved.

### ***Solution design and testing***

20. The START design and development workstream is now back on schedule after having been 9.5% behind schedule in July 2019. This is a combination of a concerted effort to catch up as well as some realignment of the schedule following a realistic assessment of the effort required. We hit our target of 80% of business function definitions (BFDs), which describe what the solution needs to do for a particular activity, being approved by the end of August 2019. The remaining 20% are complex and require business and policy decisions to be made before they can be progressed.

21. Residual risks still remain in completing the design, the complexity of the design, and the knock-on effects to build and test. There are a few significant design decisions which run the risk of being reversed later on if the customer impacts are considered unacceptable or if during the build unintended consequences are discovered. Examples include the consolidation of employer accounts, the consolidation of correspondence, and the treatment of notifications in gateway services.

22. Business system testing (ensuring START works as expected) is on track. As at 30 August 2019, we had completed approximately 33,000 test scenarios and tested approximately 10,000 of them. Preparation of test scenarios always begins ahead of test execution so that we have a good number of scenarios ready to test when our testers come on board. In total, we expect to complete approximately 70,000 tests as part of business system testing.

23. As advised in last month's status update (IR2019/346 refers), we have adopted a dual-site testing model for Release 4. It is working successfully, with the small number of specialists with KiwiSaver and Student Loans expertise adding real value to testing. As they are based in their home location, when they are not fully committed to testing, these specialists can provide support to their business-as-usual teams.

24. The KiwiSaver business-to-business (B2B) build for START was completed on 31 July 2019 as scheduled and testing with providers has begun.

### ***Impact assessment***

25. We have completed impact assessments for our customers and for Inland Revenue itself and developed a training and user support approach for Release 4. These were approved by the PGC on 22 August 2019.

26. Release 4 impacts student loan customers and KiwiSaver members for the first time. There are further changes for employers, businesses, intermediaries, software developers, some government agencies and financial institutions. In general, a medium impact is expected across the customer groups, with pockets of highly impacted customers.

27. The most impacted groups include third parties such as software developers (with the decommissioning of e-file), financial institutions (mandatory reporting of investment income information) and KiwiSaver providers (the introduction of a new business-to-business gateway).

28. Overall, the impact of Release 4 on Inland Revenue itself is medium to low, with pockets of high impact. Our specialised student loan and KiwiSaver teams who are not regular users of START, along with our community compliance teams and contact centre people (approximately 700 people in total) are most impacted. Most, but not all, of our people now work regularly in START. Training will be similar to previous releases. We will keep doing what works well for people and enhance our approach where it makes sense.

### **Customer readiness**

29. On 22 August 2019, the PGC approved the approach to customer communications and marketing for Release 4.

30. The plan is based on what we know now. We are still working through timings and prioritisation which will influence when and how we need to communicate. Some design decisions are still to be finalised and some changes and enhancements are subject to legislation being passed.

31. While the majority of Release 4 will go-live in April 2020, some changes have earlier start dates and require earlier communication. For example, the new short process rulings service which has a start date of 1 October 2019.

32. Our audience is broad. While overall the impact is expected to be smaller than Release 3, Release 4 is large and complex given the range of social policy products and the volume of data to be migrated into START. The impact for some customers, in particular employers and tax agents, will be compounded by the fact that they will still be getting used to the Release 3 changes.

33. We will continue with the successful multi-channel, multi-phase approach adopted for earlier releases. Direct mail, social media and digital advertising, factsheets, newsletters, and information on our website will provide information and reassurance for customers.

34. Face-to-face meetings with stakeholders will again play a key role. Recognising that we often connect with end users through intermediaries such as tax agents and industry bodies, we will work with these groups first to ensure they are aware of and understand the changes being made. We will alert impacted organisations where appropriate, before we communicate to their clients or customers. We will build awareness and understanding particularly through our account management and community compliance teams.

35. Advertising will again play a role, although to a lesser extent than Release 3. Advertising will be targeted to specific groups of customers, including a continued focus on ethnic communities. As per Cabinet office rules, we will request delegated financial authority for this activity from the Minister of Revenue very shortly.

### **Business readiness**

36. We have recognised the need for an integrated plan for the April to July 2020 period. Release 4 will be implemented at the same time as the second year of automatically issued income tax assessments are underway, the first Working for Families rollover in START, and the first annual income tax returns cycle in START. We are actively managing the risk of these events all occurring in the same planning and execution window.

37. On 7 August 2019, the programme team and business groups held a workshop to plan and prioritise activity during this period. The Accelerated Customer Enablement (ACE) and Pou Whirinaki/early life support teams proved to be very successful at prioritising and focusing effort during Release 3. They will be established sooner for Release 4 than was the case for Release 3.

## **Contingency planning**

38. We have begun contingency planning in the event that Release 4 does not go-live as planned. This is a standard process completed for every major release and there is no indication at this time that a contingency option will be required.

39. As with previous releases, contingency planning for Release 4 will consider five areas:

- Ensuring we can remove legislative change from the Release 4 build if legislation does not pass so that other changes can be delivered as planned.
- Ensuring that new legislative requirements can be met in all situations. For each legislative change we will define an approach which could be a legislative/operational change, a manual workaround, and/or system-based.
- Defining a deployment approach for a date after April 2020, i.e. if we needed to delay rollout or decide to rollback. We will identify a preferred backup date and have a clear plan for supporting the business between April 2020 and then.
- Identifying options that allow some Release 4 scope to be delivered in April 2020 and the remainder of the scope to be delivered later. This will include defining when work on the options needs to begin i.e. when would we need to start designing, building and testing the revised scope to ensure it can be delivered in April 2020.
- Developing detailed plans for managing events during deployment and early life support, e.g. data migration issues, power outages, major issues, key business events.

40. During August and September 2019, we will agree the contingency approach for each of these five areas and identify any areas where a different approach may be required. During October to December 2019, we will complete detailed plans including high level timeframes for designing, building and testing a contingency solution so we know when work needs to start if required. During January to March 2020, we will complete any planned contingency pre-positioning, that is, work that needs to be done before a contingency is required. The amount of effort we put into this will reflect the overall status of Release 4 at that point.

## **Other updates**

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### **Enterprise support services/ Ātea**

*(Internal processes and systems that support the day-to-day running of Inland Revenue)*

41. On 22 August 2019, the PGC approved readiness checkpoint 3b for the second release in Ātea. This release will shift finance, procurement, and some of our human resources functions to new systems and processes on 1 October 2019. Checkpoint 3b confirmed that the release is progressing to plan and is on schedule, including testing, training and go-live preparations being on track and our people being ready.

42. The PGC agreed to delegate approval for checkpoint 4, including the go/no-go decision, to a go-live committee. The go-live committee is a sub-group of the PGC, consisting of four deputy commissioners, the Chief Financial Officer and the Chief Technology Officer.

43. The go-live committee will approve the commencement of cut-over on 27 September 2019 (checkpoint 4a), make the go-live or rollback decision on 29 September 2019 (checkpoint 4b), and decide to grant full access or rollback on 30 September 2019 (checkpoint 4c).

## **Website – testing of Student Loan and KiwiSaver content**

44. We have published new student loan and KiwiSaver content on our new website. For the next six to eight weeks we will test sections of the content. As we are now testing within our main website, the pages are marked as 'new' so it is clear to customers it is being tested and is not yet final. Existing content will still be available on our old website. Once the testing has been completed, we will make any changes needed and remove the existing content on our old site. We are working to move all content off our old site by the end of the year.

45. We are also testing some other features including:

- A product page, which groups all product-related content together.
- Left-hand navigation to make it easier to navigate through the content.
- A key information panel, so customers can see summary information at a glance.
- Availability of paper forms on appropriate task pages in 'Other ways to do this'.

## **Policy**

46. Submissions on the Taxation (KiwiSaver, Student Loans and Remedial Matters) Bill which contains policy proposals to support the design of Release 4 closed on 4 September 2019.

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## **Payday filing**

48. As we are now receiving employment income information more regularly, we are able to identify people who are behind in the child support payments more quickly and work with them to get them back on track.

## **Technology landscape optimisation**

49. As is to be expected at this stage of transformation, we are increasing our focus on retiring heritage systems and processes. By December 2021, we will have a simpler and more stable technology landscape. This involves:

- Significantly reducing our data centre footprint. We will exit the two data centres supporting our old workplace technology and the two Unisys data centres which support FIRST.
- Mitigating security or compatibility risks. Intrusion detection remains a challenge. While our systems are now more secure, we cannot detect all intrusions, particularly given constantly emerging new threats. We will continue to invest in maintaining the security of our systems.
- Modernising some of our capabilities, for example identity and access management services, to reduce risk and improve the vendor support models.
- Removing co-existence built for transformation.
- Improving how quickly we identify and resolve faults.
- Improving how we manage and monitor delivery of services.

50. We have established a technology landscape optimisation (TLO) programme to complete this work as part of Release 5.

### ***Working with other agencies***

51. We are being approached by a number of other agencies to discuss what we have done differently to be successful. Agencies we have met with include the Ministry of Primary Industries, the Tertiary Education Commission, Oranga Tamariki, the New Zealand Transport Agency, and the Ministry of Social Development. While initial conversations are invariably positive, there is no follow up from the agencies who approach us.

### **Coming up in the next two months**

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52. Key activities over the next two months include:

#### **September 2019**

- Continue business systems testing; and
- Finalise preparations for implementing the second release of Ātea.

#### **October 2019**

- Go-live of finance, procurement and some human resources functions on Ātea;
- Checkpoint 1 for Release 4 in the readiness assessment framework; and
- Provide draft November 2019 Transformation Update to the Minister of Revenue for review.