KPMG

Inland Revenue

Independent Quality and Technical Assurance

Business Transformation Programme

IQA 12/TQA 11

December 2021

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1   Executive Summary

This report presents the findings from the KPMG Independent Quality Assurance Review 12 (IQA12) and Technical Quality Assurance Review 11 (TQA11) of the Inland Revenue Business Transformation Programme (BT Programme).

The objective of this review is to provide independent assurance to the Programme Sponsor, considering 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 and 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 a procurement process selected 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.

Prior releases of BT went live in accordance with the Programme's Stage and Release plans, and the now final stage of the BT Programme, Stage 4, is scheduled to go live in October 2021. Stage 4 includes a final major START release, (Release 4.2) which will complete the core tax and social policy solution (START). The key Core Tax and Social Policy changes implemented in Stage 4 includes transitioning child support, paid parental leave, unclaimed monies, duties and foreign trusts into START. When all core tax and social policy products and services are enabled in START, the Programme will commence the decommissioning of FIRST. There will be no further co-existence.

In addition to the final major START release (Release 4.2), the final stage of the BT Programme includes:

— Decommissioning all non–enduring (heritage) services, systems and applications including FIRST, and all satellite processes and functions, Enterprise Data Warehouse (EDW) and SAP which is used for HR processes including payroll.
— A Technology Landscape Optimisation (TLO) Programme, which aims to ensure that IR's technical environments are simplified, enduring, suitable for IR, and sustainable for technology operations to operate once IR concludes the BT Programme.
— Conclusion of the 'Intelligence-Led' and 'Ātea' programmes, having progressively transitioned new capabilities to IR, and with the implementation of the new operating model, is focused on ensuring that IR is embedding the capabilities delivered by transformation, into the way IR will work post BT. In some cases, capability has already started to transition to BAU such as Information, Knowledge and Management (IKM), Data and Intelligence practices (DIP) and Cloud Services.

— The BT Programme will continue to progressively transition capability to IR and at the completion of Early Life Support for START Release 4.2 (including the Pou Whirinaki process), the finalisation of the TLO Programme and conclusion of the decommission and archiving activity, the Programme will formally close.

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 documents the twelfth IQA cycle, and the eleventh TQA.

The detailed approach and scope are set out at Appendices 5.1 and 5.2, and the terms of reference for this review were confirmed in the Consultancy Services Order agreed between IR and KPMG in June 2021. 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 July 2021, when we reviewed documents and artefacts that were current at that time.

1.3   Overview of our assessment

Since our prior review (IQA 11/TQA 10, July 2020), the Programme has gone live with START Release 4.1 and IR, and the BT Programme, have also experienced considerable disruption related to COVID-19. IR's business response to COVID-19 has included tax changes to free up cashflow, a loss carry-back scheme and a small business loan scheme, demonstrating that it now has the capability to deliver new products and services within weeks rather than years.

This business agility, along with the resilience in sustaining the delivery cadence for the remainder of the BT Programme, is testament to the benefits being realised from the investment in BT, the leadership across the enterprise and within the BT Programme. In this review we noted that, by constituting 'Workstream five', the BT Programme continues to address the issue of how best to transition the residual BT capability into the broader organisation after the next, final customer-facing release.

In this review we have also noted that:

— Across the stakeholders and IRD customers that we interviewed during our fieldwork, the feedback was generally positive in recognising the successful implementation and 'bedding down' of prior releases, and the responsiveness of the BT Programme to customer feedback for continuous improvement. Stakeholders are also aware of the general customer experience benefits that will be delivered in the next release, with the upgrade to 'Version 12' of the Gentax platform.
— The Programme continues to balance the tension between pace of delivery, risk, and resource capacity/capability. This is now acute, with the requirement to sustain delivery capability through this final release being managed alongside heightened competition for skilled staff across the broader Government sector, and business environment.
— The continuing effectiveness of the Programme governance and management processes is apparent, demonstrating that the Programme remains well-managed.

With respect to the schedule for Release 4.2, the Programme is generally progressing in line with expectations. Although the end date for Business System Testing (BST) has slipped, the overall status is broadly comparable to the equivalent stage in prior releases (when, in similar circumstances, BST has come to overlap Scaled Business-Simulation (SBS) testing). Concurrent with our review, IRD have had to vacate their Wellington head office (Asteron House) for reasons of building resilience. Mitigation is currently underway with some targeted co-location offices having been secured, alongside remote working models, to mitigate the impact on BT (which has been resilient in the face of prior COVID-related disruption).

Otherwise, with respect to the Programme status, we noted in particular:

— The Programme leadership team continues to push the teams for further/continuous improvement, challenge any tendency to complacency, and drive appropriate focus on management of risk and contingency.
— While comparisons with prior releases provide good 'leading indicators', the risk-profile in this release is different, due to the significant complexity of the Child Support product involved, the relative scarcity of SMEs, and some significant related residual risks with a vulnerable and high-profile client base. It is apparent that IR is aware of this complexity, and the reputational risk associated with the vulnerable customer base for child-support. IR acknowledge some significant associated risks and challenges that remain. These are, in part, being mitigated by initiatives to bolster the contact centre's capacity and focus on effective triage of any customer issues through the early-life support processes.
— Leveraging lessons from prior releases, the data cleansing and validation activity commenced relatively early in this release, and this has paid dividends in the early identification and mitigation of data-related issues (particularly instances of poor quality in the pre-existing customer data). That said, some related risks remain and will need to be monitored carefully though the upcoming Mock Go-Live (MG) and SBS activity.
— The prior approach to system testing has been modified in this release and has included a greater reliance on early 'verification' from the supplier, to allow IR's SMEs to focus effort towards risk-based testing. This initiative, alongside the effective use of automated testing in validating the Child Support assessment engine, has succeeded in substantially reducing the overall effort expended in BST. We have, though, raised some associated concerns, relating primarily to comprehensiveness and adequacy of the resulting test coverage (particularly in SBS), visibility of test status, and how that will provide the necessary confidence in the quality of the Child Support functionality that is being rolled-out.
— Release 4.2 will end FAST's co-existence with legacy systems and represents a significant milestone for IR, in the optimisation of the systems' architecture. The associated Technology Landscape Optimisation (TLO) initiative has been a highly complex undertaking, which continues to run in parallel with Release 4.2. It also requires that any necessary residual capability is established in the target-state organisational design, to ensure that the BT Programme itself may be safely decommissioned. In our experience, organisations often find this final step challenging, and we are pleased to see that the TLO Programme continues to demonstrate strong leadership and effective delivery and is on-schedule to conclude mid-2022.
— IR remains very focused on benefits realisation from BT, and that the department's ongoing part in the COVID-19 response, including the implementation of the resurgence support payment, demonstrates in part the organisational agility which has been enabled through the BT Programme.

Given that the upcoming release is the final customer-facing delivery from the BT Programme, and the residual tasks (including BAU transition and demobilisation of the Programme) are scheduled to be complete by June 2022, IR are now in the final, acute stage of managing the associated change and human resource challenges. It is apparent that this continues to be generally effective in managing the tension between sustaining the business change through the medium-term, while demobilising the BT Programme. As for prior releases, IR's leadership appear generally well-informed and engaged in the run-up to go-live, and are also managing succession plans for key staff who have been deployed in the Programme and who will be in strong demand in the current business climate.

In the short-term, we recommend that they continue to carefully monitor:

— Progress, status, and coverage of the ongoing testing and MGL processes to ensure that they provide the necessary validation of the quality of the delivered solution, and that outcomes are in accordance with IR's risk appetite.
— Establishment and capacity of the early-life support, triage and contact centre capacity, so they are ready to deal with the inevitable post-go-live 'teething troubles', particularly for Child Support.
— Progress of the communications rollout, noting the complexities of this customer group, and the need to process any feedback that might be received in addition to that revealed through CIT testing.

It is also apparent that the sector is increasingly recognising the importance of leveraging the learning from IRD's BT experience. In our view this would ideally be managed in a structured way (as the opportunity will be reduced once the core BT team has been disestablished). This includes potential for:

— Publication/provision of knowledge-management and other BT assets, for use cross-sector.
— People, skills, and capability sharing (including transitioning staff in a managed and targeted fashion).
— Structured coaching and mentoring on a peer-to-peer basis, to build specific skills and capabilities cross-sector.
— Propagation of methodology, techniques and lessons learned across a sector-wide network.
— Encourage IR/BT staff to participate in Gateway review teams.

This would ideally be directed and coordinated across the sector, while IRD sustain the Programme delivery focus, and remain responsive to these broader needs.