KPMG

Inland Revenue

Independent Quality and Technical Assurance

Business Transformation Programme

IQA 10/TQA 9

Final v1.0

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1 Executive Summary

This report presents the findings from the KPMG Independent Quality Assurance Review 10 (IQA10) and Technical Quality Assurance Review 9 (TQA9) 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 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. 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.

BT Release 3 went live in April 2019 and in line with the planned deployment approach, Release 4 is scheduled to go live in April 2020.

Release 4 intends to implement:

— START Release 4.0 (which requires transitioning Kiwi Saver, Student Loans and PAYE products from FIRST to START including enhancing these as appropriate. This includes introducing new approaches as required for those products).
— Data and Intelligence (Advanced Analytics and Federated Search Capability).
— Information and Knowledge Management (Content and Knowledge Management and the Information Hub).
— Enterprise Support Services (Corporate Functions, Finance, Human Resources, Procurement and Payroll).
— Residual Work from Release 3: further enhancements required for Investment Income which becomes compulsory from April 2020, Gateway and Digital services subject to prioritisation and Working for Families tax product.

The scope of our review relates to START Release 4.0, which (while arguably having a lower customer-profile than START Release 3.0), is substantially challenging in other

respects (specifically the complexity of the products being migrated, and the configuration of the Gentax product). In our assessment the implementation therefore still represents a significant risk-profile for IR.

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 during the earlier Programme stages. The detailed approach and scope are set out at Appendix 1. The terms of reference for this review were confirmed in the Consultancy Services Order agreed between IR and KPMG, dated 19 August 2019.

In order to provide stakeholders with a broad assessment of the status of the Programme, our terms of reference address both IQA and TQA. Our review was performed in September and October 2019, when we reviewed documents and artefacts that were current at that time. Consequently, a number of these artefacts were in draft form, and may have been amended since. Our agreement with the Programme is that we review draft artefacts for context, and not critique them in detail.

Our approach has been to perform a risk-based assessment taking into account the stage of the Programme lifecycle, and includes findings and recommendations relevant to the current stage of the programme life cycle, and we have also considered the Programme's progress on recommendations made under prior reviews. The detailed terms of reference are included in this document as Appendix 1.

1.3   Overview of our assessment

Since our prior review (IQA 9/TQA 8, February 2019), the Programme has gone live with START Release 3.0. In our assessment (and notwithstanding that some issues were experienced during the transition), given the scale of the business change implied, customers impacted and the scale and technical complexity of work undertaken, this was a very significant achievement for the BT Programme and IRD's leadership.

In this review we have noted that:

— The feedback was very positive in recognising the success of Release 3.0, across the broad range of stakeholders and IRD customers that we interviewed during our fieldwork.

— The Programme continues to manage the tension between pace of delivery, risk and resource capacity/capability.

— The execution of Pou Whirinaki was seen to have been a 'stand-out' success in a challenging context. The experience and lessons-learned have also been examined diligently and carried-forward, with the intention that they will be incorporated into the commissioning of 'He Kotuitui'.

— We received feedback that both IRD's users and leadership team are still coming to understand how best to operationalise the new toolset, make best use of the systems' functionality, re-design time-boxed legacy business processes and leverage the potential for further exploiting the capability of the installed START functionality.

With respect to START Release 4.0, the Programme is generally on-schedule, progressing in line with expectations and broadly comparable to the situation at this point in the Release 3.0 timescale.

In particular:

— While comparisons with Release 3.0 provide good 'leading indicators', the risk-profile in Release 4.0 is somewhat different, due to the relative complexity of the products involved, the smaller numbers of product SMEs, and some related residual risks. There are, therefore, some medium-term pressures and risks that remain to Release 4.0.

— 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.

— The Programme has continued to extend the 'good-practice' established through lessons learned in the prior releases. In particular we have noted the continuation and extension of the 'testing central' ambit for end-to-end testing, and the improved rigour and transparency applied to the Release 4.0 design process.

— He Kotuitui is in the early stages of defining how to leverage the principles applied in Pou Whirinaki into BAU, for Release 4.0 and beyond.

Our review scope also included a look-ahead into Release 5.0. Although this is in the early stages at present, it is apparent that the scope of Release 5.0 will be challenging in a number of respects:

— In our experience, implementations of child-support systems with a vulnerable and high-profile client-base are generally highly-complex. With respect to the cutover of child-support into START in Release 5.0, it is apparent that IR understands this complexity, and FAST will be largely reliant on that IR expertise in order to build the necessary product capability.

— Release 5.0 will end FAST's co-existence with legacy systems, de-commission those legacy systems and optimise the target systems landscape. In our assessment, this will be a complex undertaking, and with some significant 'unknown unknowns' remaining to be quantified at this time (e.g. with respect to the Technology Landscape Optimisation ('TLO') initiative).

— Work to de-commission the BT Programme will run in parallel with Release 5.0. This will require that any necessary residual capability is established in the target-state organisational design, to ensure that the BT Programme itself may be safely decommissioned, and in turn secure realisation of the target benefits. In our experience, organisations often find this final step challenging and the inability to fully-transition to the target-state is a common mechanism for benefits-leakage (e.g. if a 'shadow programme' is allowed to persist). We are therefore encouraged that these discussions are already underway, and He Kotuitui is being established as the mechanism to effect that transition.

— It is also apparent that the sector is increasingly recognising the importance of leveraging IRD lessons, skills and technology. This may take the form of:

  – Provision of assets for extended leverage.

  – People, skills and capability sharing (including transitioning staff in a managed fashion).

  – Methodology and lessons learned.

IRD must sustain the Programme delivery focus, while being responsive to these requirements.

We have been pleased, also, to note generally that the Programme has continued to address lessons from prior Releases, and in particular in this review:

— The continuing effectiveness of the Programme governance and management processes, demonstrating that the Programme remains well-controlled.

— The improvements to management of Gentax design and risk-based solution testing have led to improved confidence in the quality of the systems' solution for Release 4.0, and further improvements to the ability of the team to deploy resources towards targeted improvements in the quality of the solution.

— The ongoing positive commentary from third-parties regarding IRD's stakeholder communications, and engagement with customers and third-parties.

— Ongoing efforts to focus on, and improve, IR's 'customer experience' in support of the 'digital-first' strategy.

We also received consistent feedback in our interviews that IRD had been limited in its capacity for 'run-ahead' Release 4.0 activity, as a result of ongoing Release 3.0 close-out and more general resource constraints. This is an ongoing theme in our reviews which (in our view) is likely to persist in the medium-term. The Programme has managed this tension effectively to-date but the inherent resource-constraints mean that the Programme has to constantly balance demands for a limited pool of human resources and expertise (including IRD's leadership team), with the need to both stabilise and optimise the prior release, as well as deliver the next release at pace. The Portfolio Governance Committee should continue to monitor this tension carefully, particularly now with respect to Release 5.0.