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Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: February 2022

Date:	10 March 2022	Priority:	Medium
Security level:	In confidence	Report number:	IR2022/096

Action sought

	Action sought	Deadline
Minister of Finance	Note the contents of this report	None
Minister of Revenue	Note the contents of this report	None

Contact for telephone discussion (if required)

Name	Position	Telephone
Greg James	Deputy Commissioner, Transformation	Withheld under s18(c)(i) of the OIA

10 March 2022

Minister of Finance
Minister of Revenue**Transformation status update: February 2022****Executive summary**

1. This report provides you with a summary of progress and highlights for transformation for February 2022. As agreed (IR2021/413 refers), this will be the final monthly status update provided to you. We will complete one final report to formally seek your approval to close the programme, which will include the findings of the final independent quality assurance reviews.
2. All customer-facing changes have now been completed. The final release continues to perform well with increased levels of customer satisfaction reported for both child support and the new myIR functionality. Remaining work relates largely to decommissioning and programme closure. Both of these areas of work are well on track and the programme will close by 30 June 2022 as planned.
3. Transformation's Red, Amber, Green (RAG) status remains light amber overall this month, as shown in table 1. There has been no change in the status of any of the keys.

Table 1: Transformation's RAG status

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

4. Table 2 shows programme expenditure to date and planned expenditure.

Table 2: Transformation expenditure

		Operating expenditure (excluding depreciation and capital charge) \$ millions			Capital expenditure \$ millions		
Previous phases		Budget	Actual	Variance	Budget	Actual	Variance
Pre-Design/Design	1 Jul 14-31 Dec 15	\$85.1	\$74.4	\$10.7	\$1.4	\$0.6	\$0.9
Delivery - Stage 1	1 Jan 16-28 Feb 17	\$131.8	\$114.7	\$17.1	\$76.3	\$72.6	\$3.7
Delivery - Release 2	1 Mar 17-30 Jun 18	\$248.4	\$224.8	\$23.5	\$114.8	\$111.4	\$3.4
Delivery - Release 3	1 Jul 18-30 Jun 19	\$179.4	\$169.5	\$9.9	\$96.3	\$93.8	\$2.5
Delivery - Release 4	1 Jul 19-30 Jun 20	\$205.8	\$163.6	\$42.2	\$103.0	\$96.5	\$6.5
Total for completed phases		\$850.4	\$747.0	\$103.4	\$391.9	\$374.9	\$17.0
Current phase		Budget	Forecast	Variance	Budget	Forecast	Variance
Delivery - Stage 4	1 Jul 20-30 Jun 22	\$153.8	\$153.8	\$0.0	\$85.3	\$85.3	\$0.0
Transitional costs	1 Jul 20-30 Jun 22	\$104.3	\$104.3	\$0.0	\$0.0	\$0.0	\$0.0
Contingency	1 Jul 20-30 Jun 22	\$19.9	\$19.9	\$0.0	\$5.0	\$5.0	\$0.0
Total for current phase		\$278.0	\$278.0	\$0.0	\$90.3	\$90.3	\$0.0

Note: Table 2 does not include ongoing costs that sit outside of the programme. These total \$102 million until 2023/24 and ex-gratia payments to KiwiSaver members of \$7.2 million (IR2020/490 refers).

5. Between 1 July 2014 and 30 June 2020, the programme spent \$747 million in operating, and \$374.9 million in capital. Any under-spending to date has either been moved to later periods or returned to the Crown.
6. The overall budget for the current phase of transformation, Stage 4, is \$278 million for operating expenditure and \$90.3 million for capital expenditure. Stage 4 delivery operating costs have changed this month to reflect funding approved for some of the change activity we had planned to do, which was deferred due to the impacts of COVID-19.
7. We have confirmed the amount of funding we expect to hand back at the closure of the programme (IR2022/037 refers).

Recommendations

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

Noted

Noted

Greg James

Deputy Commissioner, Transformation
10 March 2022

Hon Grant Robertson

Minister of Finance
/ /2022

Hon David Parker

Minister of Revenue
/ /2022

Progress updates

Decommissioning

9. We are on track with our decommissioning activity.
10. As at February 2022, we had decommissioned approximately 88% of our heritage systems, and removed about 50% of the infrastructure components from our heritage data centres. There is no direct correlation between applications and infrastructure, as much of the infrastructure supports multiple applications.
11. A key achievement during February 2022 was the successful shutdown and removal of our heritage data warehouse, an application our staff had previously used to analyse data.
12. Our high-level timetable is unchanged and remains:
 - From 1 December 2021 until early April 2022, we will shut down old heritage systems, archive any data that is to be retained, and then remove the systems and databases.
 - In April 2022, once all the systems have been removed, the network connections and supporting services will be shut down, and the process of dismantling and disposing of the infrastructure will begin.
 - We remain on track to exit our heritage Unisys data centres by 30 June 2022.

Independent quality assurance reviews

13. The final Gateway review to be completed on the programme will take place during the week beginning 28 March 2022. This will be a final Gate 0 (Strategic Assessment) review. We expect to report the results of the review to the Minister of Revenue during April 2022.

Identity control and print replacement initiatives

14. Last month (IR2022/043 refers), we reported that we were experiencing some challenges with the identity control and administration¹ project and print replacement projects. The identity control and administration initiative is meeting its revised plan and is on schedule, and the print replacement project is now on track.

Key risks and issues

15. The transformation programme's risk profile has improved to light green. A light green profile means that risks are under control and mitigations are effective.
16. There are no new issues (a risk that has been realised) to report.
17. As of February 2022, the programme had a total of six open risks², none of which are reported to the Portfolio Governance Committee (PGC).
18. The one remaining risk previously reported to the PGC was closed during February 2022. The risk relating to delays in decommissioning our heritage data warehouse, an application our staff use to analyse data, has been closed. The warehouse is now available to be decommissioned, with final quality checks and archiving having been completed.

¹ Management of user accounts, roles, and access rights for individuals in an organisation.

² During February 2022, nine programme risks were closed, including one reported to the PGC.

Coming up in the next two months

19. Key activities over the next two months include:

March 2022

- Continue with decommissioning activity.
- Final Gateway review.

April 2022

- Continue with decommissioning activity.
- Final progress update considered by the Cabinet Government Administration and Expenditure Review Committee.