



**Inland Revenue**  
Te Tari Taake

**Proactive release** This document was released by Inland Revenue under section 81(1B) of the Tax Administration Act 1994. Some information has been withheld as the Government has yet to make decisions on the matter, or it is not able to be released under tax secrecy provisions. This release supports the purposes of the Official Information Act 1982 by increasing progressively the availability of official information to the people of New Zealand

## July 2018 Transformation Update

*Go-live of Release 2*

*Implementation of Release 3*

July 2018

Version: Final

# Table of Contents

---

<i>Section</i>	<i>Page</i>
Executive Summary	3
Release 2 was successfully implemented on 17 April 2018	5
Preparations for the implementation of Release 3 are progressing well	7
The next steps in changing Inland Revenue's organisation design are underway	10
Transformation continues to be well managed and governed	11
Appendix 1: Transformation roadmap	13
Appendix 2: Release plan	14
Appendix 3: Lead and lag indicators	15
Appendix 4: Key transformation risks	16

## Executive summary

New Zealand's revenue system is being transformed in four broad stages – digital services, tax, social policy and a final wrap up – in a series of releases.



*The first two releases have been successfully implemented and are delivering benefits for customers.*

New systems and processes for GST were implemented on 7 February 2017, completing Stage 1. Release 2 was successfully implemented on 17 April 2018. In addition to successfully migrating withholding taxes to START,<sup>1</sup> this release included:

- The accounting income method (AIM) provides a pay-as-you-go option for small businesses for provisional tax.
- The automatic exchange of information (AEOI) with international tax treaty partners helps combat global tax avoidance.
- Employers are now able to send their information to Inland Revenue on payday if they choose to do so.
- It is now easier for customers to meet their obligations for withholding taxes, fringe benefit tax, payroll subsidy, and gaming machine duty.

- Income information is now being collected in START enabling pre-population of individuals' information to begin.

Attention has now turned to supporting customers as they use new services for the first time, particularly the first AIM filing dates. As at 29 June 2018, just over 1,100 customers were using AIM.

### *Work on policy and legislative settings continues.*

Changes to the collection of PAYE information and the collection and use of investment income information are now law. Approximately 3,000 payday returns had been filed by just over 500 customers as at 29 June 2018.

Changes to make tax simpler for individuals were approved by the Government in April 2018 and are now subject to legislation.

1. Cabinet has approved changes to make tax simpler and easier for individuals.
2. Cabinet has approved policy changes to modernise the rules and processes in the Tax Administration Act (TAA).
3. Cabinet has also approved improvements to PAYE error corrections and adjustments.
4. Drafting of the Bill to enact the individuals' income tax, TAA and PAYE error correction changes is underway.

Combined with changes to PAYE and investment income information, these changes mean that, over time, most salary and wage earners will pay what they need to and

receive what they are entitled to during the year. Working for Families tax credits entitlements will be more accurately monitored and adjusted throughout the year. These changes are being progressively introduced and will be fully implemented by the 2020/21 year.

### *In April 2019 income tax and Working for Families will move to new system and processes (Release 3)*

Release 3 will complete Stage 2, with the migration of income tax and, in addition, Working for Families on new systems and processes.

This is a significant release as it will affect most New Zealanders. It is more complex and higher risk than the first two releases, as changes to systems, processes and legislation will affect businesses, individuals and financial institutions. For individual customers, the changes will be the biggest they have experienced in nearly 20 years.

Progressively from April 2019, customers will have easy, digital access to all their tax and personal information, employers will provide PAYE information to Inland Revenue every payday, more businesses will file electronically, and payers of investment income can provide detailed recipient information on a more frequent basis if they choose to.

### *Changes to Inland Revenue's business*

The way customers interact with Inland Revenue will change considerably in the coming years. It will take two complete cycles for the benefits of the legislative and system and process changes to be fully realised. As a result of these changes, there will be far less need for customers to interact with Inland Revenue.

<sup>1</sup> START stands for simplified tax and revenue technology and is the name chosen by Inland Revenue for the GenTax software provided by FAST Enterprises LLC

During the transition period, some customers will contact Inland Revenue to seek reassurance. At times, meeting customer demand may be challenging as the processes and activities customers are used to using change. This has been evident during the peak filing period this year.

During June 2018, Inland Revenue experienced some issues with its digital services and is carefully monitoring them in managing the peak period of demand from April to July. Once the peak filing period has passed, Inland Revenue will identify what further enhancements could be made to its digital services.

#### *Changes to Inland Revenue's capabilities*

Changes will be made to Inland Revenue's digital channels and services to make it easier for customers to find what they're looking for, understand their obligations and entitlements, and do what they need to do.

A new data and intelligence platform will enable Inland Revenue to better understand customers' needs, tailor services to them, and help them get things right from the start. Errors and non-compliance, both inadvertent and deliberate, will be better detected and detected earlier.

#### *The next steps in changing Inland Revenue's organisation design are underway.*

The three new groups established in February 2018 with broader roles and new delegations are already making a difference for customers. Customer-facing staff are now able to make decisions when dealing with customers that previously would have had to be referred to their

team manager and then a manager. This means customer queries are resolved more quickly.

Between April and August 2018, the Executive Leadership Team is working with a range of staff and experts on how Inland Revenue could best work in 2021/22. The focus is on the parts of the organisation that support the customer-facing functions.

#### *Transformation is complex and high-risk.*

Transformation remains complex. Release 3 in particular presents additional challenges given the scale of the impacts for customers and Inland Revenue.

There is considerable complexity in managing service performance across our two systems (co-existence), while endeavouring to ensure that customers are not adversely affected.

This risk will not be fully mitigated until transformation is completed in 2021, and heritage systems (FIRST) are decommissioned. Maintaining momentum is key to reducing risk.

Robust risk management approaches are in place, and risks are actively managed.

More information about risks can be found on page 11 and in appendix 4.

The most recent independent quality assurance and technical quality assurance review undertaken by KPMG notes that transformation continues to be well managed and to demonstrate the characteristics of a high performing team.

## Release 2 was successfully implemented on 17 April 2018

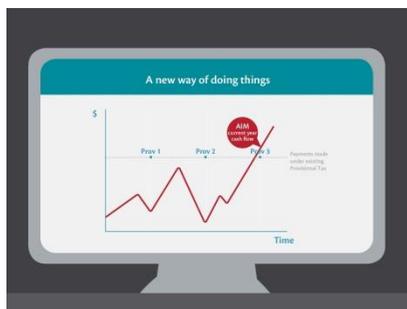
Release 2 included new products, legislative changes, and new systems and processes for more taxes.

*It's now easier for customers to meet their obligations for a wider range of taxes.*

Businesses can now file, pay and amend withholding taxes, fringe benefit tax, gaming machine duty, and portfolio investment entity returns online, as well as GST returns. Income information for the 2018/19 year is now being collected in START.

*Customers have a new option for meeting their provisional tax obligations.*

Small businesses with a turnover of less than \$5 million a year can now work out their provisional tax using AIM.



Until AIM, businesses paid provisional tax at set times of the year, regardless of when they earned their income. AIM means small businesses can:

- pay smaller amounts of provisional tax more often
- get refunds of overpaid provisional tax during the year
- avoid paying interest or penalties provided they pay what their software tells them to, on time

- have their provisional tax calculations done for them by their software
- have their information sent to Inland Revenue by their software – no extra step required.

Following go-live, the focus for AIM shifted to the key filing dates in May and June 2018, when users began filing their first AIM statement of activity. The 28 June 2018 filing date was significant as it was the last opportunity for existing businesses to adopt AIM in the 2018-19 tax year. It is also when the bulk of activity from businesses that file on a two or six-monthly GST filing frequency occurred.

Inland Revenue expects uptake of AIM to be modest in its first year, as the accounting industry adapts to new ways of working, the use of accounting software grows in small businesses, and the number of software providers offering the service increases.

Uptake is likely to follow the trend for filing GST through software. That started with a pilot of just a few hundred customers in December 2016 and has grown to just over 81,000 customers as at May 2018.

*The implementation of AEOI will help combat global tax evasion.*

New Zealand is one of many countries that has committed to new global standards on the automatic exchange of information. This information is collected by financial institutions around the world for reporting to tax authorities, who then exchange this information to ensure everyone pays the correct amount of tax.

Financial Institutions have three options to submit their information to Inland Revenue. The deadline to submit the first year's information was 30 June 2018.

*Customer take up is in line with expectations.*

As at 29 June 2018:

- Approximately 3,000 payday returns had been filed by just over 500 customers.
- More than 30,000 withholding tax and fringe benefit tax returns had been filed.
- Just over 1,100 customers were using AIM to file their provisional tax returns.
- More than 700 AEOI registrations had been received.

In addition, more than 500,000 employer monthly schedules had been filed, containing more than 10 million items of employee data.

Responses from business customers and tax agents since go-live have been largely positive.

*Release 2 was a more complex implementation.*

Compared to GST, the Release 2 cut-over was more complex. More than 220 people, including people from 18 other organisations, worked around the clock in shifts to shutdown customer channels, migrate data from FIRST to START, complete business and technical checks, and start channels up again.

Compared to implementing GST, slightly more accounts (1 million, compared to 880,000 for GST) and returns (13 million, compared to 8.1 million GST returns) were converted for Release 2 and more tasks (500 compared

to 350 for GST) were completed. Just over 51,000 tests were completed for Release 2, compared to approximately 17,500 for Release 1. No severity 1 (major impact on critical business activities) or 2 (major impact on business activities) defects were carried into go-live, and no priority 1 issues (critical impact) were raised following go-live.

**Acting on the lessons learned from implementing GST paid dividends.**

For Release 2, Inland Revenue made enhancements in several key areas to ensure a successful implementation.

- Co-existence: a release-based implementation has minimised the need for customers to interact with two systems. Implementing GST showed that while Inland Revenue could deal with the challenges of working in two systems, it is more difficult for customers to do so.
- Stakeholder engagement: a wider range of stakeholders was engaged earlier and more face-to-face education and support was provided.
- Active involvement of users: opportunities for customers to validate the design of new services were provided throughout the design process.

**Proactive monitoring of systems is in place and there have been some unrelated issues with service availability since go-live.**

Proactive monitoring of systems is in place for GST, withholding taxes, fringe benefit tax, gaming machine duty and payroll subsidy to ensure they are available and performing as expected.

During June 2018, it has taken customers longer on occasion to login to myIR than acceptable and some services have been temporarily unavailable. While these issues were unrelated to Release 2, during transformation changes are being made to Inland Revenue’s existing systems, which are fragile and complex. Co-existence has added further to this challenge. As a result, issues may sometimes arise. Inland Revenue is well aware of the frustration customers experienced as a result of these challenges.

Customer experience through online channels has returned to the levels normally expected. Inland Revenue did not apply late filing and late payment penalties to GST returns filed and paid by 4 July 2018.

Inland Revenue is carefully monitoring its digital services in managing the peak period of demand from April to July. Once the peak filing period has passed, Inland Revenue will identify what enhancements could be made to its digital services.

Well established processes for detecting and responding to incidents help to minimise the impacts on customers as much as possible.

**Inland Revenue has put the technology foundations in place to reliably deliver services.**

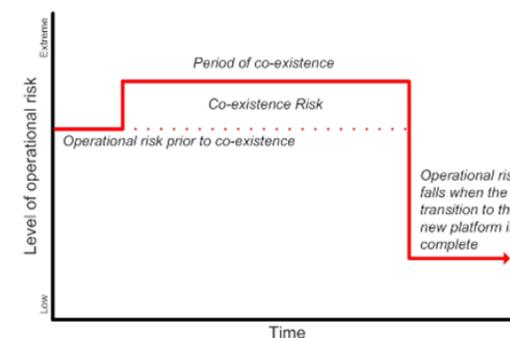
Minimising the risk of system outages and intermittent systems failure is one of the investment objectives for transformation. Inland Revenue has strengthened its infrastructure by investing in:

- Two new data centres which give Inland Revenue greater flexibility and speed to scale up and down as

needs change, and provide much greater back up in the event of an emergency such as a natural disaster.

- A leading-edge security and identity access management system providing customers and staff with secure access to online services.
- New middleware software which enables customers and partners to connect with Inland Revenue’s systems, and ensures systems “talk” to each other.
- Automated service management processes to manage incidents and service requests more effectively.

Notwithstanding this positive progress, operational risk remains high. Inland Revenue’s operational risk profile has increased now that transformation is underway, and will remain high until transformation is complete.



Transitioning to new systems and processes as quickly as possible is the best way to manage risk as this will limit the period of time that the old and new systems need to co-exist.

# Preparations for the implementation of Release 3 are progressing well

Release 3 is a group of changes being implemented from April 2018 through to the end of June 2019. The changes include migrating more products to START in April 2019, legislative changes, and other changes to Inland Revenue's capabilities.

This is a significant release as the products in scope affect most New Zealanders. It is more complex and higher risk than the first two releases, as changes to systems, processes and legislation will affect businesses, individuals and financial institutions. For individual customers, the proposed legislative changes will be the biggest they have experienced in nearly 20 years.

Some changes are being made progressively, such as changes to the collection and use of employment and investment income information, to give customers time to make the necessary changes.

## *Release 3 in April 2019 will further simplify customers' interactions with Inland Revenue.*

Once Release 3 is implemented in April 2019:

- It will be easier for customers to meet their income tax obligations and receive their correct Working for Families entitlements.
- Customers will be able to enrol digitally for products and services.
- Payers of investment income will be able to send detailed recipient information to Inland Revenue every month, or the months in which income is paid, if they choose to.
- Employers will send their PAYE information to Inland Revenue on payday.

- More businesses will file electronically.

From April 2019, employers will have integrated tax and business processes, making it quicker and easier for them to meet their obligations.

All customers will have access to faster, more accurate information, providing near real-time visibility of all their tax obligations. Customers will have a lot more certainty as there will be much less chance of them going into debt and any refunds will be paid more quickly.

## *The way customers interact with the revenue system will change considerably in the coming years.*

Changes to the collection of PAYE information, the collection and use of investment income information, and changes to the administration of individuals' income tax<sup>2</sup> mean that, over time, most salary and wage earners will pay what they need to, and receive what they are entitled to, during the year. Working for Families tax credits entitlements will be more accurately monitored and adjusted throughout the year.

These changes are being introduced progressively and will be fully implemented by the 2020/21 year.

<sup>2</sup> Subject to legislation



From the 2018/19 tax year,<sup>3</sup> all individuals will have their end-of-year position assessed. Refunds or tax to pay will be automatically issued to customers. Inland Revenue is confident it holds enough income information about. This will be most salary and wage earners.

Businesses will be able to file all their taxes through myIR and use new functions, such as more embedded calculations. Businesses will increasingly be able to use their own systems and processes to meet their obligations as they will be integrated with our systems and processes.

From the 2019/20 year, employers will be filing employee information every payday, and some payers of investment income will be voluntarily providing more detailed information about recipients of investment income more often. This will allow Inland Revenue to act earlier to help customers get things right. More people will pay what they need to, and receive what they are entitled to during the year, so there will be fewer customers with end-of-year balances and their balances will be smaller.

From the 2020/21 year, Inland Revenue will be receiving more detailed and timely employment and investment income information for individuals. The number of customers with end-of-year balances should drop further, as should the average amount.

<sup>3</sup> Ibid

It will take two complete cycles for the benefits of these changes to be fully realised.

As a result, there will be far less need for customers to contact Inland Revenue and less need for year-end square-up processes. Customers' tax and entitlements will be adjusted during the year as their circumstances change. All their information will be available to customers in myIR.



A customer information campaign will, subject to appropriate approval,<sup>4</sup> educate and inform customers about the changes being made and the benefits to them.

Inland Revenue recognises the need to invest considerable time and effort in supporting customers to adapt to the changes being made. The department is working through how best to transition customers to these new processes and reporting requirements.

### ***Release 3 will mean changes for most New Zealanders.***

Inland Revenue has undertaken a high level assessment of the impact on customers of the changes being implemented as part of Release 3.

Most customers are impacted to some degree.

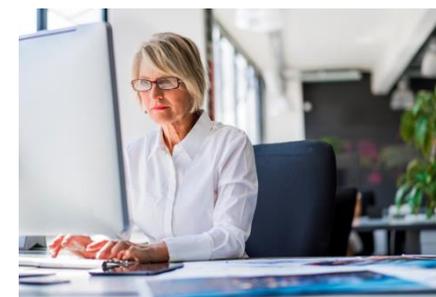
- Individuals – income tax will be migrated to new systems and processes and, based on proposed legislative changes, Inland Revenue will introduce a new way of finalising end-of-year income with refunds or tax to pay automatically issued to customers. This, combined with a new myIR eServices, will be the biggest change individual customers have experienced since the personal tax summary (PTS) was introduced in 2000.
- Families - Working for Families Tax Credits will be processed using new systems and processes, and entitlements will be more accurately monitored and adjusted throughout the year.
- Employers will be required to provide employment information to Inland Revenue every payday from 1 April 2019. Date of birth and contact information for new employees will also need to be provided.
- More business will be required to file electronically.
- Tax Agents will be impacted by changes to income tax.
- PTS intermediaries may notice a substantial change in their business model over the next few years as Inland Revenue begins to pre-populate and automate more end-of-year information and offer more eServices to customers (subject to legislation).
- Tax Pooling Intermediaries and bookkeepers will have access to more online services.
- Banks and other payers of investment income will need to report detailed recipient information to Inland Revenue, and report more frequently.

Once Release 3 has been implemented, customers will have easy access to all their tax and customer

information (such as name, address and bank account details) through myIR.

Families will also experience changes to how they find their Working for Families information and keep it up-to-date. A family screen in myIR will show details such as whom they receive payments for and who they share the care of children with. Customers will also be able to track why their entitlement amount has changed.

Businesses will be able to file all their taxes through myIR and to use new functionality, such as more embedded calculations.



Now that the impacts on different customer groups are understood, the next step is to identify what is required to ensure that:

- affected customers are aware of and ready for the changes being introduced, and
- Inland Revenue is ready to support them as their interactions with the department change and as they use new services for the first time.

This work is expected to be completed by the end of August 2018 and details will be included in the November 2018 transformation update.

<sup>4</sup> Cabinet Office Circular CO (15) 4

*Once all taxes are migrated to START, there will be significantly better agility for tax products.*

Once Release 3 has been implemented in April 2019, all taxes will be administered in START.

Completion of this major milestone will provide the Government with significantly improved agility for any changes it wishes to make to tax products. START would be the delivery vehicle for any of the Tax Working Group's tax-related recommendations that are accepted by the Government.

Factors that will need to be taken into account when considering new opportunities are:

- Inland Revenue's capacity to deliver
- customers' capacity to absorb change and Inland Revenue's capacity to support customers through change
- operational risk in light of co-existence until transformation is completed in 2021.

Transformation costs and timelines assume that implementation of policy changes are aligned with the programme roadmap and delivery of system changes to minimise costs and impacts on customers.

*Release 3 will also include some changes to Inland Revenue's capabilities.*

In addition to the changes being delivered by START and legislative reforms, other changes will be made to some of Inland Revenue key capabilities to better support customers.

- Digital channels and services will be revamped to tailor services to customers, help them find what they're looking for faster, understand their obligations and entitlements, and make it easier for them to do what they need to do.
- A new data and intelligence platform will enable Inland Revenue to better understand customers' needs, tailor services accordingly, and help customers get things right from the start. Errors and non-compliance, both inadvertent and deliberate, will be better detected and detected earlier.
- New tools and equipment will be progressively rolled out to support Inland Revenue's new organisation design and ways of working. This will also support more remote working, so Inland Revenue can be where customers are.
- A new platform for Inland Revenue's enterprise support services will improve the processes that support the day-to-day running of the department.

To administer a modern revenue system, Inland Revenue will have to change the way it works and make more intelligent use of information. New skills and abilities are required to better understand customers' circumstances and needs across wider government, and to identify policy and service design opportunities to improve the overall wellbeing of New Zealanders. New technology and legislative changes alone will not deliver the full range of benefits to customers and government.

*Some key implementation decisions have yet to be made.*

Some implementation decisions in key areas yet to be considered include:

- How to ensure a smooth transition for individual customers through changes to the way tax is assessed and refunds are paid out.
- When and how to ensure compliance with newly introduced requirements, such as payday reporting, or changed requirements, such as the lower electronic filing threshold.

Inland Revenue is working through how best to manage transitioning customers through these changes. Any significant implications and potential trade-offs will be highlighted for Ministers to consider before decisions are finalised.

## The next steps in changing Inland Revenue's organisation design are underway

---

Inland Revenue is creating a workforce with the right knowledge and capabilities to meet the needs of customers both now and in the future.

This will be achieved by investing in the skills and capabilities of our people, and making changes to leadership and culture, decision making frameworks and delegations, workflows, structures and roles.

### *Customer-facing functions have changed first.*

Three new business groups have been operating since 12 February 2018:

- Customer and Compliance Services—Individuals
- Customer and Compliance Services—Business
- Information and Intelligence Services.

New delegations, combined with broader roles, mean that customers are having their queries responded to more quickly. Devolved decision-making is already helping provide a better service to customers, with some queries being resolved in hours rather than weeks.

Notwithstanding, there are challenges in meeting customer demand as noted earlier.

### *The next steps in changing Inland Revenue's organisation design are underway.*

Between April and August 2018, the Executive Leadership Team is working with a range of staff and experts on how Inland Revenue could best work in 2021/22. The focus is on the parts of the organisation that support the customer-facing functions.

The Public Service Association, Taxpro and the National Union of Public Employees are being involved at key points, and have been invited to nominate members to take part in each stream of work.

### *Inland Revenue will progressively transition to a new organisation design.*

Consultation and implementation of change processes will take place at different times for different groups.

## Transformation continues to be well managed and governed

### *Transformation is tracking to plan.*

Schedule and costs are tracking as expected. The first two releases were implemented on or ahead of time and under budget.

### *Monitoring focuses on delivery progress and realisation of benefits.*

A set of time-bound lead and lag indicators, and case studies monitors progress in achieving the outcomes of transformation. Please refer to appendix 3 for current progress.

### *Transformation remains inherently high risk.*

There is no doubt that transformation is complex and challenging. Inland Revenue is now operating two systems and the department's risk profile has increased. It will remain high until the completion of transformation due to the need for old and new systems to co-exist.

Transformation is recognised as a high risk initiative. Robust risk management approaches are in place, and the assurance programme forms an important part of management of risks.

The most significant risks and their mitigation plans, and the risk profile for transformation are reported regularly to the Portfolio Governance Committee and to the Ministers of Finance and Revenue.

### *As at June 2018, the risk profile for transformation remained amber.*

An amber profile means that risks and mitigations are reasonably defined and understood, and support is needed from senior leaders to actively manage specific issues in defined areas.

Two new risks have been raised since the last update, relating to:

- Validating payday filing information when it is received by Inland Revenue so that only correct information is accepted.

- The complexity of the employer monthly schedule (EMS) solution. Until Release 3 is implemented, processing of the EMS will be split across FIRST and START.

The most significant risks to transformation are actively managed. The table below shows the top three risks as at June 2018.

Risk	Mitigation	Expected resolution
Unisys support for FIRST ending in June 2021	The main mitigation is completing transformation as quickly as possible. This risk will only materialise for products still on FIRST in June 2021 and in addition there would need to be an incident where a service in FIRST could not be recovered.	Inland Revenue is exploring all options for reducing the risk associated with mainframe support ending. Once this work has concluded by the end of 2018, the rating of this risk will improve.
The complexity of the EMS	The current process is to accept information when it is filed and check it later – which adds time and cost for both Inland Revenue and employers. In the future, all information will ideally be validated when it is received so that errors can be easily corrected by employers before they file it. Mitigations include assisting customers to get data right at source, managing exceptions, and working closely with the software industry and employers.	The status of this risk will be reassessed by the end of 2018 as Inland Revenue firms up its approach to validating information as it is filed.
Retaining people working on transformation	To date, Inland Revenue has been successful in managing this risk. While there has been some attrition, this is not unexpected in a programme of this length.	On-going

Please refer to appendix 4 for a summary of the most significant risks for transformation as at June 2018.

*One external assurance review has been completed since the last update in February 2018.*

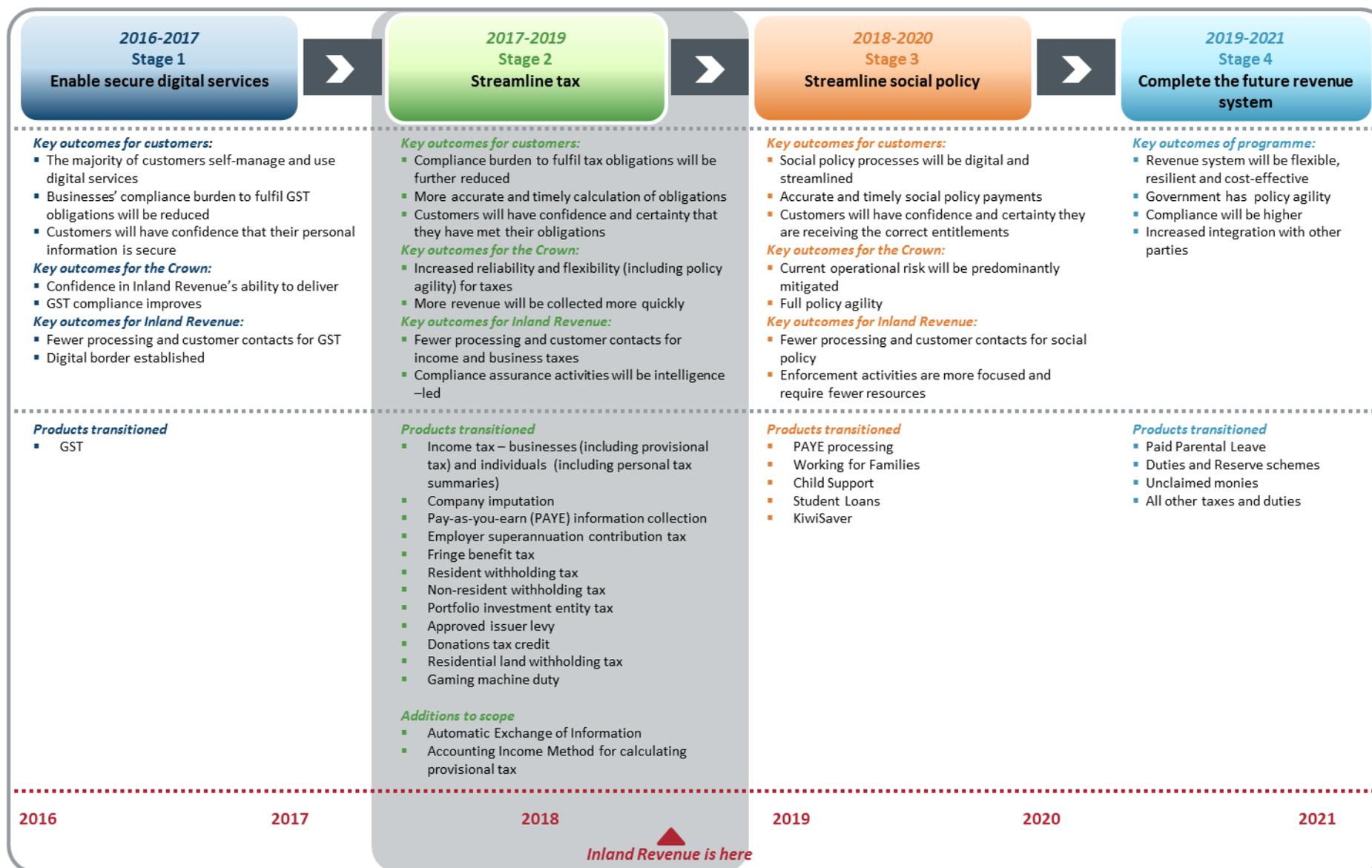
In May 2018, KPMG's seventh IQA and sixth TQA review (IQA7 / TQA6) was positive. Overall, KPMG rated transformation as amber.

KPMG noted that "... the Programme continues to be well managed as it progresses towards both its short and long term goals". KPMG note further that "Programme control remains good (indeed in many areas the Programme continues to be amongst the most effective we have seen)".

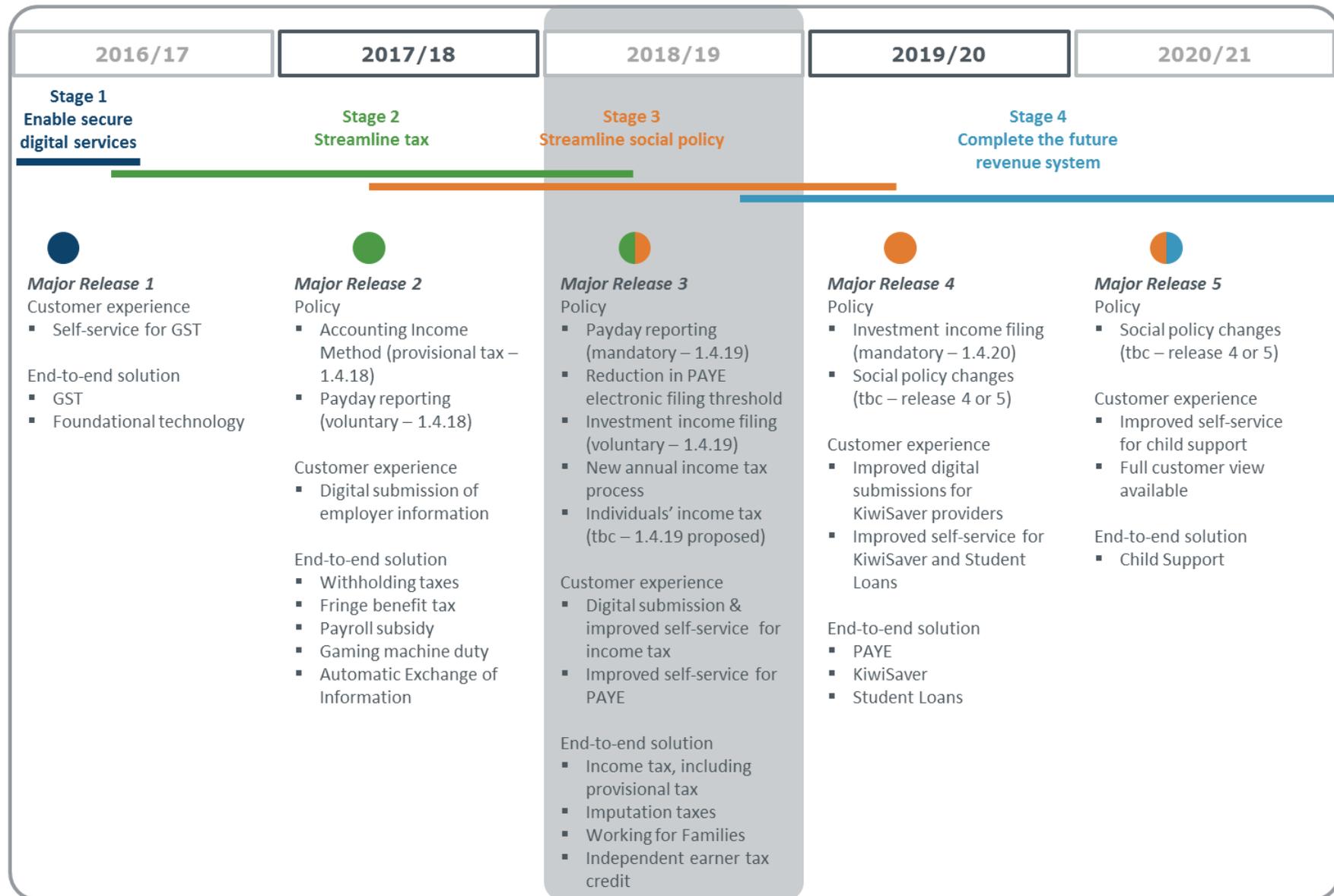
Three further external assurance reviews are scheduled before Release 3 goes live in April 2019:

- An IQA 8 / TQA 7 mid-release review to be undertaken by KPMG in approximately August 2018.
- An IQA 9 / TQA 8 readiness for go-live review to be undertaken by KPMG in approximately February 2019.
- A Gateway 0 (strategic assessment) and 4 (readiness for service) review in approximately February 2019

# Appendix 1 – Transformation roadmap



## Appendix 2 – Release plan



## Appendix 3 – Lead and lag indicators

The table below outlines progress as at 31 May 2018, except for the measures *number of customers who find it easy to comply* and *system availability for customer-facing e-channels*. These figures are as at 31 March 2018 and 30 April 2018 respectively.

Please note that the information in this table is provisional only and will not be finalised until end-of-year reconciliations have been completed. An updated table containing audited numbers for the 2017-18 financial year will be included in the November 2018 Transformation Update, along with an early view of any figures for the 2018-19 year which are available.

Outcome	Measurement	2017-18			2023-24 target
		Actual	As at	June 2018 Target	
Easier for customers	Increase in the number of GST customers using accounting software to manage their obligations:	18%	31/05/18	26%	85%
	• Number of customers (cumulative)	81,488	31/05/18	-	
	• % of GST returns	13%	31/05/18	-	
	Increase in the number of customers who find it easy to comply	82%	31/03/18	82%	90%
	Reduction in customer tax compliance burden (pa hours per SME)	10hrs	31/05/18	3hrs	18hrs
	Increase in system availability for customer facing eChannels	98.4%	30/04/18	99.2%	99.5%
	Customer outcomes achieved from information sharing and security of information	Measured through case studies			
	Economic benefit through reduction in customer tax compliance burden (\$m)	\$50m	31/05/18	\$30m	\$1,330m
	Cumulative additional Crown revenue to Government (\$m)	-	-	-	\$2,880m
Reduced time and cost to implement policy	Reduction in the time and cost to implement policy	Measured through case studies			
	Increase revenue system resilience as assessed by Inland Revenue	Partial	31/05/18	Low	High
Inland Revenue is more efficient	Administrative savings for IR (\$m)	\$11m	31/05/18	\$5m	\$495m

## Appendix 4 – Key transformation risks

Type of Risk	Risk Name	Current risk	Residual risk
Interdependencies	There is a risk that FIRST (including its infrastructure and associated systems) may develop a fault post June 2021, which impacts Inland Revenue's ability to collect tax and pay disbursements until the fault is resolved	Extreme	Very High
Interdependencies	There is a risk that the complexity of the Employer Monthly Schedule (EMS) solution leads to potential financial/customer implications.	Very High	High
People	There is a risk that the programme will not be able to retain the right people with the right skills at the right time.	Very High	High
Stakeholders	There is a risk that the benefits to the Crown, customers and Inland Revenue that were committed to Cabinet in the 2015 business case are not realised and/or are not realised within required timeframes.	Very High	High
External Environment	There is a risk that the scope, timing and priorities of transformation may change due to external factors.	High	High
External Environment	There is a risk that external decision-making takes longer than planned and timescales are extended.	High	High
Interdependencies	Payday filing submissions may not be of sufficient quality to enable straight through processing.	High	Medium
Interdependencies	There is a risk that an increase to the time, effort and complexity in completing operational business-as-usual tasks, manually, during co-existence will put at risk Inland Revenue's ability to meet its agreed performance targets throughout the duration of transformation.	High	Low
Stakeholders	There is a risk of misalignment between the programme's agreed scope, roadmap and delivery timeframes, and expectations on the programme to deliver all-of-government (AoG) capabilities, irrespective of whether they meet Inland Revenue's requirements and are sufficiently mature.	Medium	Medium
Stakeholders	There is a risk that government loses confidence in Inland Revenue's ability to deliver transformation.	Medium	Medium
People	There is a risk that the programme will be unable to attract and source the right people with the right skills at the right time.	Medium	Medium
Financial	There is a risk that the contingency agreed by Cabinet as part of the business case funding approval is applied to fund other competing priorities/pressures, creating a risk of insufficient funding to complete delivery of transformation.	Medium	Medium
Organisational Compliance	There is a risk that the large amount of time transformation requires from business groups during the solution delivery (and other) phase significantly disrupts Inland Revenue's business-as-usual activities.	Medium	Medium
Business Process	There is a risk that transformation becomes a technology replacement rather than a true business transformation.	Medium	Low