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Inland Revenue
Te Tari Taake

Inland Revenue report: Transformation status update: February 2021

| | | | |
|------------------------|---------------|-----------------------|------------|
| Date: | 09 March 2021 | Priority: | Medium |
| Security level: | In confidence | Report number: | IR2021/068 |

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. |

09 March 2021

Minister of Finance
Minister of Revenue**Transformation status update: February 2021****Executive summary**

1. This report summarises transformation progress and highlights for February 2021.
2. Paid parental leave, unclaimed money, duties, and New Zealand foreign trusts (Release 4.1.1) successfully went live at 4pm on 28 February 2021. This means businesses could apply for the resurgence support payment from then. This was ahead of the scheduled re-opening time of 8am on 1 March 2021.
3. Transformation's Red, Amber, Green (RAG) status remains light amber overall as shown in table 1 below. 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 | Amber | Light Amber | Light Amber | Light Amber | Amber | Green | Light Green | Green | Amber |
| PREVIOUS | Light Amber | Light Amber | Amber | Light Amber | Light Amber | Light Amber | Amber | Green | Light Green | Green | Amber |

4. Table 2 below 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 | \$159.6 | \$159.6 | \$0.0 | \$78.6 | \$78.6 | \$0.0 |
| Transitional costs | 1 Jul 20-30 Jun 21 | \$33.8 | \$33.8 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Contingency | 1 Jul 20-30 Jun 22 | \$14.8 | \$14.8 | \$0.0 | \$9.7 | \$9.7 | \$0.0 |
| Total for current phase | | \$208.2 | \$208.2 | \$0.0 | \$88.3 | \$88.3 | \$0.0 |

Budget performance to date

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.

Stage 4 budget

6. Including the contingency held by the Commissioner and transitional funding, the overall budget for the current phase of transformation, Stage 4, is \$208.2 million for operating expenditure and \$88.3 million for capital expenditure. We are on track to come in on budget for Stage 4.

Recommended action

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

Noted

Noted

Greg James

Deputy Commissioner, Transformation
09 March 2021

Hon Grant Robertson

Minister of Finance
/ /2021

Hon David Parker

Minister of Revenue
/ /2021

Stage 4 first release update

8. Paid parental leave, unclaimed money, New Zealand foreign trusts, and duties are now successfully running on new systems and processes. Our systems were up and running at 4pm on 28 February 2021, slightly ahead of the scheduled re-opening time of 1 March 2021. This meant that businesses could apply for the resurgence support payment following the change in alert levels over the weekend of 27 and 28 February 2021.

9. At this early stage we are not seeing anything of concern from our customers. We are monitoring customer contacts to determine their reaction to the changes.

Early life support

10. Early life support is in place and running smoothly. We have no critical or high priority issues.

Other updates

Stage 4 second release (Release 4.1.2)

11. Writing of test scenarios is well underway, with increased support required for key subject matter experts to remain on schedule. There is no risk to the overall test schedule.

12. Testing began during the first week of March 2021. For common areas we conduct verification testing, which focuses on fields, rules, and validations. Business system testing (making sure START works as expected) is undertaken for complex or high-risk areas. Both verification testing and business system testing are on track.

Policy

13. The Child Support Amendment Bill and the Taxation (Annual Rates for 2020-21, Feasibility Expenditure and Remedial Matters) Bill were reported back to Parliament on 4 March 2021.

14. We are working with the Minister of Revenue's office to ensure the Bills go through their remaining stages over the next three weeks and receive assent by 1 April 2021.

E-File

15. E-File is a service which allows tax agents to file their clients' returns to us. As reported to you (IR2020/457 refers), we are decommissioning this service on 16 April 2021. Around 2,500 tax agents currently use E-File.

16. We have developed gateway services to replace E-File, along with providing the ability for other customers to file and update their information such as employers, banks and KiwiSaver scheme providers. Each of the five current E-File software providers have the discretion to choose which of the new gateway services they build for their customers. At present, they are all tracking to have their selected services available when E-File is decommissioned. For any functionality they don't build, tax agents can still use myIR.

17. From 1 April 2021, we will no longer accept new E-File registrations other than for special circumstances. This means tax agents can still register up to the 31 March 2021 filing date.

18. Final submissions through E-File will be at 4pm on 16 April 2021. Some software providers may move to gateway services before then and will communicate this to their clients. E-File will be 'switched off' sometime after 6pm on 16 April 2021.

19. We have signalled this change since early 2019 and, with software providers, are ensuring tax agents have the information they need to be ready. Software providers are leading communications to their clients, especially about the functionality they will adopt and how to use it. We are providing supporting information for both providers and tax agents.

Key risks and issues

20. The transformation programme's risk profile remains amber¹, with a future trend of 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 some areas.

21. We are monitoring one issue (a risk that has been realised). This relates to the impact of the COVID-19 pandemic on the delivery of the programme. There are no concerns to report at this time.

22. As at February 2021, the programme has a total of 57 open risks², of which 14 are reported to the Portfolio Governance Committee (PGC).

23. There has been no change in the status of any of the risks reported to the PGC since the last report.

24. The top three risks for transformation remain unchanged and relate to the need to move off all our heritage applications by 1 July 2022, so that we can fully decommission our heritage data centres.

Coming up in the next two months

25. Key activities over the next two months include:

March 2021

- Begin Pou Whirinaki/early life support for Release 4.1.1

April 2021

- Complete business function definitions for Release 4.1.2
- Decommission E-File.
- FEC hearing on the Auditor-General's report into our benefits management practices (IR2020/358 refers).

¹ The risk RAG status is separate from the overall programme status which is light amber as stated on page 2. Table 1 on page 2 shows the RAG key for risk as amber and the overall programme rating as light amber.

² During February 2021, one programme risk was closed.