



Summary of our report

Inland Revenue Department: Procurement for the Business Transformation programme



Inland Revenue is spending millions of dollars on its Business Transformation programme (the programme), which is designed to create a “modern revenue system” that will save money and make it easier for taxpayers to pay their taxes.

Much of the programme’s costs come from purchasing goods and services. The public needs to have confidence that Inland Revenue is procuring these goods and services effectively and efficiently so the programme can achieve its objectives. We looked at whether the programme’s procurement is effective, is well managed and complies with relevant rules and other requirements.

We looked at a sample of individual procurements in detail and found some instances where Inland Revenue did not consistently comply with relevant rules and policies. Although most of these instances were minor, there was one more significant instance.

Because the programme needed a greater number of often more costly and more complex procurements than Inland Revenue had entered into before, Inland Revenue recently changed its approach to procurement, firstly for the programme and later throughout the whole organisation. This was a positive step taken to enable procurement to better meet the programme’s needs as well as Inland Revenue’s broader needs during and after the transformation.

In our view, Inland Revenue has a clear vision and purpose for its new approach to procurement. Although changes have been implemented only recently, there are early signs that those changes are likely to improve supplier performance and outcomes for Inland Revenue.

The procurements we looked at had been completed before Inland Revenue changed its procurement approach. The timing of our audit meant that it was too early to assess if and how the new approach had improved Inland Revenue’s compliance with relevant procurement rules and policies.

As part of its change in approach, Inland Revenue centralised and restructured its procurement function and brought in procurement specialists with appropriate skills and resources.

Vital statistics:

- 24 pages
- Presented to Parliament on 22 March 2018
- Download from www.oag.govt.nz
- Contact: reports@oag.govt.nz

This change was well thought out and caused minimal disruption for the rest of Inland Revenue.

The new approach focuses on relationships and outcomes, and aims to get the best results and value for money from purchasing goods and services. One aspect of this is that Inland Revenue works closely with its most important suppliers in a structured way to monitor their performance. This has helped improve suppliers' performance as well as helping Inland Revenue identify areas where it could improve.

However, Inland Revenue still needs to make important improvements to some of the processes that support its new procurement approach. When we looked at individual procurements Inland Revenue could not locate all the documents we asked to see. Also, in some instances we could not find evidence that quality controls had been applied. We found an inconsistent approach to probity and inadequate documentation to support some probity decisions.

We have made four recommendations to help Inland Revenue improve the way it procures goods and services, including for the programme. Inland Revenue needs to make these improvements to ensure that its suppliers, the public, and staff can continue to have confidence that its procurement processes are consistently robust, fair, and transparent.