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International Monetary Fund
PACIFIC FINANCIAL TECHNICAL ASSISTANCE CENTRE

KIRIBATI

Report on the Information Technology Strategic Plan

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Aide-Mémoire

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ACROYNMS AND ABBREVIATIONS

AusAID	Australian Government Aid
CEO	Chief Executive Officer
CMS	Customs Management System
COBIT	Control Objectives for Information & related Technologies
DR	Disaster Recovery
EU	European Union
GoK	Government of Kiribati
ICT	Information Communications & Technology
IMF	International Monetary Fund
IT	Information Technology
ITIL	Information Technology Infrastructure Library
ITSP	Information Technology Strategic Plan
KTD	Kiribati Tax Division
MCTT	Ministry of Communications, Transport & Tourism
MoFED	Ministry of Finance & Economic Development
NAO	National Audit Office
OECD	Organization for Economic Cooperation & Development
PCs	Personal Computers
PFMP	Public Financial Management Plan
PFTAC	Pacific Financial Technical Assistance Centre
PSO	Public Service Office
RMS	Revenue Management System
TA	Technical Assistance
TIN	Taxpayer Identification Number
USB	Universal Serial Bus

PREFACE

A tax administration mission to the Republic of Kiribati in November 2009, undertaken by Mr. Carson McNeill from the Pacific Financial Technical Assistance Centre (PFTAC) identified the need for new revenue IT systems to be developed and implemented to support the Kiribati Taxation Division (KTD) for the future.

At the request from Mrs. Taake Cama, Acting Commissioner of Taxes, a Technical Assistance (TA) mission visited Tarawa, Kiribati during the period 6th to 18th of April 2011 to develop an Information Technology Strategic Plan (ITSP). This mission was undertaken by Mr. Tony Lester a member of the International Monetary Fund (IMF) panel of experts.

The mission met with: Mrs. Taake Cama, Acting Commissioner of Revenue; Mr. Atanteora Beiatau, Secretary of Finance and Economic Development (MoFED); Ms. Teboranga Tioti, Deputy Secretary, Ministry of Communications, Transport and Tourism (MCTT); Mr. Tekaie Hitaake, Comptroller of Customs; Mr. Tanginako Mikaere, Ministry of Finance (MoFED) Information Technology (IT) Manager; Ms. Ran Areta, Senior Regulatory Officer, Ministry of Commerce; Mr. Lucas Tatireta, IT Auditor, National Audit Office (NAO); Mr. Teriba Tabe, European Union (EU) Ms. Erin Magee, Acting Development Program Specialist Australia Aid (AusAID) ; Ms. Kura Hakarai, Deputy New Zealand High Commissioner; Mr. Martin Tofinga, Chairman, Chamber of Commerce and nine individual Tax Accountants.

The mission worked closely with Mrs. Taake Cama and her staff and was most appreciative of the excellent co- operation and assistance received at all times.

EXECUTIVE SUMMARY

Introduction

At the request of Mrs. Taake Cama Acting Commissioner of Taxes, a TA mission visited Tarawa, Kiribati from the period 6th April to 18th of April 2011 to develop an ITSP. The Plan that has been created is a pragmatic and practical approach designed to solve the Kiribati Tax Division's (KTD) pressing IT environment needs.

Normally a comprehensive ITSP would take six to nine months to complete however this mission has shortened this process and has aimed to produce a fit for purpose solution for the KTD. This Plan provides the necessary direction and strategies to take the KTD forward in a planned and achievable set of three phases.

The Plan comprises four components and comments on these are as follows:

1.   Current State Assessment

The need for strengthening the IT systems has been identified in previous PFTAC missions and in other reports produced for the Kiribati Government (GoK). Improvements to the IT systems are required to be made urgently and will be a pre- requisite before proceeding with any introduction of further government Revenue reform.

Currently there is a basic, stand alone IT capability operating within the KTD which does not provide the IT environment, processes and necessary tools anywhere near the standard required to perform the work of a modern tax administration.

2.   Future State Assessment

The Future State Assessment identifies the base business requirements at a high level that any new IT system for the KTD will need to support. It identifies the ten core IT systems that you would expect to find in any Tax Administration regardless of the size and scale of that Administration.

It is proposed that an off the shelf software product is purchased by the KTD to address their future needs, and a preferred software package product has been identified and recommended in this Plan.

As well as identifying the change required for the KTD and some elements that will assist the Customs Division with its own modernization, this Future State Assessment also identifies a number of key central government initiatives that will need to be developed to enable all government agencies within Kiribati to advance. The activities and products

produced from the MCCT will become major components of the ultimate modernization of the KTD.

3. The Transition Plan

This part of the Plan has identified ten key components that will require to be progressively implemented to manage closing the gaps between the KTD's Current State and Future State Assessments. These ten key components are as follows:

- Transition the current IT support for the KTD systems to the MoFED IT support team and strengthen that team accordingly.
- Establishing the IT Architecture principles for the future
- Establishing appropriate Governance Roles and Accountabilities
- Establishment of a unique Taxpayer Identification Number (TIN)
- Data Cleansing and clean up of current environment
- Purchasing a new IT package system
- Training required to deliver the future
- Reviewing current KTD Legislation to see that it is future proofed for the upcoming modernization project
- The necessary financial budget to deliver the above
- The identification and management of Risks that will jeopardize the ITSP

Budget estimates for implementing the ITSP in a three phases approach over an estimated five year implementation period have been estimated at A$1.27m. The initial budget discussions based on the estimated budget (A$800k for Tax, A$35k for Intranet and A$250k for IT infrastructure for both Tax and Customs) within the PFMP, held to date with the various donor communities, (EU and AusAID) have been positively received.

4. Implementation Approach

The success behind any Plan is the commitment to make the implementation happen in an effective and timely manner. While it has been pleasing for the Mission to observe the current level of support from government officials and the donor communities, it is what happens next that matters most.

The KTD does not have the capability, the capacity or the need to dramatically modernize itself overnight. Instead a more measured pragmatic approach should be planned for.

The Implementation Approach contains a three phased approach to the modernization of the KTD and these are as follows:

Phase one involves the procurement of the Revenue Management System (RMS) version 7 from Datatorque NZ LTD and the implementation of five of the core ten IT systems

required by a Tax Administration. If this Plan is approved shortly, this implementation could occur during 2nd quarter 2012.

Phase two involves the introduction of the remaining five core IT systems by procuring the remaining capability in the RMS 7 system from Datatorque NZ Ltd. If this Plan is approved, this second phase could occur by December 2014 to coincide with the introduction of a consumption tax for Kiribati.

Phase three would see the KTD becoming a very modern tax authority and performing many of its day to day service and compliance activities over the Internet. However before phase three can occur, there will need to be a considerable strengthening by the MCTT of the overall IT capability for Kiribati.

Key recommendations for the ITSP

There are a number of recommendations contained in the full Plan, however for the Executive Summary, only the Key Recommendations have been included. These are:

- Progress all the recommendations contained in the 2009 PFTAC Mission Aide-Memoir
- Urgently transition the support of the current KTD IT environment to the MoFED and that the GoK appropriately fund an enhanced MoFED IT team to support the new KTD IT environment.
- Introduce a TIN process as part of implementing the new IT environment.
- Arrange for completed registration details received at the Ministry of Commerce to be forwarded to the KTD on a daily basis and at no cost to the KTD.
- Determine best method for purchasing in the most pragmatic and practical manner, the new IT environment of RMS 7 from Datatorque NZ Ltd.
- Once purchase from Datatorque NZ Ltd. is agreed, prepare formal letter to them requesting final proposal.
- Formalize discussions with Donor Communities regarding budget allocation to enable the purchase of the new IT environment.
- Adopt a pragmatic three phase approach to modernizing the KTD.
- Ensure the MCTT assumes responsibility for advancing the wider IT infrastructure measures needed within Kiribati.
- The KTD should consider if further TA is required to implement this Plan, and if so formally approach PFTAC to facilitate this requirement.

1. INTRODUCTION

The adoption of modern business process activities supported by IT is a key method of improving the efficiency, effectiveness and public transparency of modern revenue administrations. Improving IT capacity and capability are some of the most critical goals that revenue administrations aim to implement. It is obvious that revenue administrations are devoting an increasing proportion of their operating budgets in the provision and ongoing improvement of IT capabilities.

This mission aims to create a pragmatic ITSP that with the assistance of the donor communities can be implemented by the KTD. The Plan will create an IT environment that will enable further business process administration improvements to occur which will better position the tax division to manage the larger policy reforms that the Government of Kiribati (GoK) wishes to implement in the near future.

The need for strengthening the IT systems for the KTD has been highlighted in a number of recent reports[1] and special mention was made in the Public Financial Management Plan (PFMP) for Kiribati, that the IT systems for the Tax Administration needed strengthening urgently and that this strengthening was a pre-requisite to proceeding with any introduction of a consumption tax in the future.

The approach taken to enable the strengthening of the IT systems for the KTD is to create a Kiribati fit for purpose ITSP that will outline the way forward with future IT investments. Normally a comprehensive ITSP could take six to nine months to complete however this approach is not what is needed in Kiribati at present as the base starting position within the KTD is very limited. The mission aims to identify an off the shelf software product and associated hardware infrastructure, that can be quickly purchased and implemented to enable the KTD to dramatically improve its base IT infrastructure and software environments. Once this off the shelf product is in place and operational, the KTD can commence to review all of its current business process operational procedures to see how the new IT environment will enable changes to be made.

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[1] Republic of Kiribati: Revenue Modernization Aide- Memoire, Carson McNeill (PFTAC) November 2009, and Support for the Development of a Public Financial Management Plan (PFMP) for Kiribati, John Leonardo, March 2011.

Normally a review of all business processes is undertaken prior to creating an ITSP and before any new software is selected, however with the size and scale of the KTD's operations, it is more pragmatic to select the software and associated hardware and when successfully implemented then do the business process improvement.

A successful IT modernization based on this ITSP can result in the following high level benefits for the GoK:
- increased revenue without raising tax rates or coverage from adoption of more effective and efficient business processes
- improved customer service through enhanced Tax administration processes that makes it easier for customers to comply
- enhanced services to customers through facilities that enable customers to use more opportunities for self-service products
- improved revenue collection efficiency by streamlining the identification and management of non-compliance and the subsequent collection of revenue owed
- a revenue administration work force with increased levels of staff performance and professionalism by giving them the right tools to perform their tasks.

Although this Mission has focused on the Tax division of the Ministry of Finance and Economic Development (MoFED), most components of this Plan can also be adopted by the Customs division of the Ministry. The Mission is aware that Customs is also facing an urgent need to upgrade its IT system and aspects of the planning approach, the Architecture principles outlined within this Plan will fit into any future Customs modernization. The Mission has highlighted the need for all future Tax business requirements to include the appropriate IT system interfaces with any new Customs IT system in order to support any future amalgamation of these two Organizations.

Components of the Information Technology Strategic Plan

There are four key components of the ITSP for the KTD and initial comments on these steps are as follows:

1.   Current State Assessment
The Current State component of the ITSP provides an agreed position of the current Tax business and IT environments and will address the following:

- identify the state of all infrastructure hardware assets, e.g. servers, telecommunication devices, workstations, etc, to determine the variety and performance characteristics of all hardware items
- determining the IT systems fit to current business needs and whether this has been progressively maintained

- how well the IT system adheres to modern technology practices and to any agreed technology architecture principles
- whether the IT systems and the hardware supporting them are operating with appropriately current software versions
- whether there are adequate backup and recovery options for the business critical IT systems
- the status of the security environment surrounding the IT systems
- the level of current IT resource capability to support the IT systems and if the KTD is able to resource this capability either internally or externally; and
- how current the business documentation that supports the IT systems is.

Based on analysis to date, it is expected that the current state assessment will reveal that all KTD systems, from both a software and hardware perspective, do not deliver appropriate business support.

2. Future State Assessment

This is the component of the Plan where the Mission will describe what the future business operations processes will look like. It will:

- identify opportunities to reuse information and services, e.g. a single source of the truth;
- eliminate duplication;
- increase flexibility and agility to respond to change;
- ensure the KTD's technology infrastructure remains appropriate to the business requirements;
- create an environment where IT systems are securely maintained and supported to ensure maximum system availability.

The Future State Report of the ITSP will outline the business processes required for the future so that a decision can be made to purchase an off the shelf software product and associated hardware infrastructure as soon as practicably possible.

3. The Transition Plan

This component will identify strategies to manage closing the gaps between the KTD's Current State and Future State assessments, and will contain advice on how the modernization will be managed.

The transition plan will also contain details of the high level cost estimates required for the new IT environment for the KTD.

4. Implementation Approach

Once the transition plan has been completed, the next component is to decide what activity should be undertaken first and to make sure that the KTD can progressively implement IT change, while undertaking the appropriate business process reengineering in an achievable and practical manner. Every effort will need to be made to continue the collection of the revenue while progressively implementing the IT and associated changes needed for the future.

2. THE INFORMATION TECHNOLOGY STRATEGIC PLAN

Purpose

The purpose of this document is to create a pragmatic ITSP that will identify the next steps required to be taken by the KTD in the establishment of an IT environment that will enable the GoK to proceed with its planned future Revenue reforms. This Plan will focus on ensuring the base IT software, hardware and people capabilities are in place to ensure a fit for purpose solution is implemented for Kiribati.

A. Current State Assessment

Currently there is a very basic, stand alone IT capability operating within the KTD at present and clearly the KTD does not have the IT environment, processes and necessary tools to anywhere near perform the work required of a modern tax administration.

- **Personal Computers (PCs).** There are eight desktop devices, (PCs) in use at present, with three of these approximately three years old, with the remainder being approximately 10 years old. The PCs operate using Windows XP – version 2002 and have a mixture of Microsoft 2003 and 2007 Applications running on them. There is no PC replacement program in place, just a decision made to replace a device (funding permitted) if a PC no longer works.

  The Tax applications that these PCs utilize have all been designed using Microsoft Software (typically Excel and Access) and have been created by each individual staff member to meet what they consider are their IT support needs to help them to perform their tasks. There is no documentation to support any of these self built applications.

  Minimal security is in place for these PCs, with a basic virus checker solution installed, which gives no confidence to the staff with regards to the control of computer viruses or the detection of unauthorized access to the environments.

- **Laptop devices.** There are three laptops in the KTD allocated to the senior staff. Two of these units were purchased in 2009 and the third was purchased in 2010. The laptops are used by the allocated staff as their desktop device and as for the PCs, all Tax applications running on these have been developed internally.

- **Telephony services** are very limited within the KTD. There are 4 desk phones in the Tarawa office and one phone in the Christmas Island Office. These are shared amongst staff by physically moving them from one desk to the other, with the subsequent dangling of telephone cords from the ceiling. Currently KTD staff cannot call a taxpayer direct on their mobile phone, as all calls to a mobile number must be routed via the MoFED telephone operator. The only mobile phone within the KTD is held by the office driver.

- **There is no server hardware capability within the KTD.** A DELL Poweredge 800 server utilizing Linux was purchased in 2009 which was going to be used to network all the PCs within the KTD. However, that server system collapsed in mid 2010 and the KTD has neither the capability nor the funding to have it repaired / replaced. Various other agency IT staff, have attempted to fix this server but to no avail, and there are currently no arrangements in place to repair or replace this server.

- **Security from both an IT and physical perspective is weak with the KTD.** While there is an awareness of basic IT security gained from personal experience within the KTD staff, there are no IT security policies and associated training programs in place and so there is a major risk that Taxpayer information can be accessed by non authorized people. Due to the failure of the above server environment, KTD staff now back up their individual desktop devices on a daily basis (if they are at work) to a KTD supplied USB memory device and these devices are then taken home by the individual staff member for safe keeping. It is not known if staff also use these USB devices for their own personal use outside of work hours.

  As mentioned earlier there is a basic virus control application running on the PC's but there is no confidence that all viruses can be managed this way.

  The KTD is housed within the MoFED building and there is limited control over physical access to the KTD accommodation within this building. The main access door has a sign on it that prohibits non authorized access, however the door is unlocked and non staff can easily walk into the space allocated to the KTD.

- **There is no IT capability within the KTD.** In the main, the KTD staff are left to their own support methods for anything to do with their IT needs. There is an ad hoc relationship in place with the MoFED and the PSO IT staff but this support is not finalized in any formal arrangement. There is no IT capability within the KTD itself. One of the challenges facing the KTD is that due to its size (an establishment of 19 staff with four vacancies) what if anything is the appropriate level of internal IT capability that is needed to support their ongoing needs.

- **No business processes are documented.** With the creation of the stand alone IT applications, the associated business process documentation has not been developed. Current business activities rely heavily on a specific person being at work on that day to ensure the activity occurs.

- **Disaster recovery planning within the KTD is non existent.** As a result of the overall lack of IT capability within the KTD there are no disaster recovery considerations in place for the division. The current practice of using USB devices for back up compounds the overall lack of any disaster recovery preparations for the KTD. However the KTD will not be able to manage any future disaster recovery requirements in isolation as there will be a need for strong strategic leadership on this and other IT infrastructure and related policies from central government.

- **The Government of Kiribati is slowly strengthening its overall Information Communications and Technology (ICT) capacity.** The GoK recognizes the critical role of ICT in Kiribati's future economic development. ICT is seen as a key ingredient in connecting people to each other and to vital services which underpin economic and social wellbeing. Consequently, the GoK is committed to fostering the development and use of affordable, reliable ICT services for the people of Kiribati.

  There is much work still to do from a central GoK perspective, to create the ICT environment that agencies such as the KTD can operate within. For instance the creation of IT security Standards and Policies, the strengthening of an IT audit capability for government, the implementation of Broadband internet services and the subsequent investment in other supporting infrastructures such as a central government data centre(s) are all initiatives that will need to be planned for in the future. Additional comments on the central government role will be made in the Future State component of this Plan.

- **Limited progress has been made on implementing the recommendations for the November 2009 PFTAC Mission to Kiribati.** The recommendations from that Mission's Aide-Memoir are still valid today and a number of them become even more critical as we advance the implementation of a new IT system for the KTD. Table One outlines the current status of the November 2009 PFTAC Aide-Memoir reports recommendations:

Table 1: November 2009 PFTAC Mission recommendations Update.

Recommendation	Current Status.
That the Taxation Division develops a tactical plan and performance monitoring system.	Initial work has commenced on this with the creation of a KTD Vision and Mission Statement earlier this year.
That in the interim the Control Section manages both outstanding taxes and income tax returns.	Achieved.
That taxpayer databases (a) be cleansed and updated (b) that decisions be made for those redundant taxpayers with outstanding returns and taxes.	No real progress has been made apart from cleansing cases` as and when they are identified.
That a functional structure be adopted to support the new taxes and processes.	No progress made.
That new functional processes be adopted based on: taxpayer registration; return filing and processing; taxpayer services; taxpayer audit and, collections.	No progress made.
That a revenue IT system be developed and implemented to support the new functional processes.	This Mission is creating the ITSP to enable a new IT system to be purchased.
That an Administration assistant and technical and legal advisor be appointed, reporting to the Commissioner of Taxation.	No progress made.

Progress on the above recommendations would have been slowed, not commenced due to the fact that there has been no substantive Commissioner of Taxes in place since May 2010. In discussions with Mr. Atanteora Beiatau, Secretary of Finance and Economic Development, the Mission was advised that an appointment will be made imminently and then steps will be taken to fill the other senior vacancies within the KTD.

The above recommendations are still valid and steps must be taken to progress these in line with the procurement of the new IT system.

Current State Recommendation

- Progressively progress all the recommendations contained in the 2009 PFTAC Mission Aide- Memoir

B. Future State Assessment

The following are the base business requirements at a high level that any new IT system should support in order to deliver the services required by the Kiribati Tax Division. These core ten IT systems are what you would expect to find in any Tax Administration that is planning or has undertaken an IT Modernization program, regardless of the size and scale of that Administration.

While there is a bias towards the Tax requirements for Kiribati, where possible, reference has also been made to the future interfaces that may be required if the Taxation and Customs divisions of Kiribati are amalgamated. Even if the divisions are not amalgamated it will still be prudent to plan for and develop a level of interfaces between the two IT systems that will operate within Tax and Customs.

1. Taxpayer Registration system that can:

- Maintain a national tax identification number (TIN) for all taxpayers, including Customs clients and to cater for business license activities.

- Calculate and maintain a check digit to ensure the validity of these identification numbers.

- Capture and store specific registration details for different tax types in a 'whole of client' view.

- Integrate the registration system with all other core business functions, e.g. returns and payment processing, so that registration details are stored and maintained once, but reused by other systems.

- Deregister taxpayers and archive information in such a way that it can be restored.

- Allocate one identification number for an entity, but enable branches of an entity to be linked.

- Allows for linking details where customers are shareholders of companies and or a partner in partnerships.

- Generate registration management information, e.g. registrations by entity type, by district, by sector, by industry and an audit trail of adjustments made.

2. Payments Processing system that can:

- Capture identification number, tax type, payment period, payment type, and payment amount.

- Update these details into the taxpayer and revenue accounts automatically.

- Automatically interface with external payment method options, e.g. banks.

- Reverse payment data and manage any re transmissions of payments data including the processing of dishonoured cheques.

- Have the ability to process a payment to a suspense account if taxpayer details are not known.

- Generate management information that enables: (1) payments reconciliations; (2) revenue reports; (3) payment statistics; (4) report on suspense account activities; and (5) an audit trail of adjustments made.

3. Returns Processing system that can:

- Process returns for all tax types, including business licenses.

- Support fully the principles of a future self assessment regime for processing returns, including: (1) check taxpayer identity against the taxpayer registration system; (2) record date of lodgment; (3) acceptance of the tax liability declared by the taxpayer; (4) perform arithmetical calculation based on the data in the return; (5) compare credits claimed against credits held within the database for the taxpayer; and (6) storage of tax return data in the database.

- Ability to receive returns electronically.

- Ability to generate electronic receipt for electronic returns**.**

- Process amended tax returns or assessments.

- Ability to issue assessment notices electronically and issue any subsequent refund electronically to a customer's bank account.

- Raise default assessments where a return has not been lodged.

- Archive return information where the account balance is nil at an appropriate determined time, to an environment that can be restored if required.

- Produce management information on quantity of returns received, and an audit trail of adjustments made.

4. Taxpayer and Revenue Accounting system that can:

- Develop and maintain an account for all taxpayers.

- Account for all debits and credits for all tax types in a 'whole of client' view.

- Enable all tax types to be recorded in the same style of account.

- Allow proper identification of all information passed to it from the payment and returns processing systems.

- Calculate due dates for incoming transactions.

- Allow for amendments to be made via reassessments, account adjustments, transfers, etc.

- Allow online enquiry to all details of a taxpayer's account.

- Allow with appropriate security, taxpayers to ultimately view their account via web access.

- Calculate and impose late/non payment penalties and charge interest if appropriate.

- Structure the account details so that details can be clearly identified between tax, penalties, interest, while being able to present all the taxpayer's account balances across all tax types.

- Age debts.

- Archive nil balance account details at the appropriate determined time to an environment that can be restored if necessary.

- Generate a statement of account, in either paper form or ultimately in electronic form for a particular tax type, or consolidated for all tax types.

- Offset credits and debits within a tax type and across tax types, including Customs debt if the Divisions are amalgamated and the Legislation within Kiribati allows this.

- Provide for a variety of accounting transactions, e.g. debits, credits, transfers, refunds, penalties, payments, adjustments, write offs etc.

- Produce management information on overall account status, general ledger for KTD, reports for MoFED, and an audit trail of adjustments made.

5. Returns Management system that can:

- Determine whether a return for a particular tax type should be expected from a taxpayer. This includes a 'nil return'. Automatically generate appropriate returns for each Revenue type.

- Determine the due date for all return types according to KTD legislation and administrative arrangements.

- Allow an extension to the due date for lodgment of a return if KTD approves a taxpayer's request.

- Automatically generate a demand for the return after a nominated period, after the return has not been filed.

- After a determined period, automatically issue a stronger worded demand if the return has still not been filed.

- If after a further determined period and the return is still outstanding, allocate the case for manual follow up via the case management system.

- Manual follow up may involve the issuing of a default assessment or if the case warrants, possible prosecution for failure to file the return.

- Generate management information reporting on how many returns were expected, how many were received, how many are still outstanding, the age of the outstanding returns, for all KTD offices, and be able to consolidate this information on a national basis. An audit trail of any adjustments made is also required**.**

6. Debt management system that can:

- Detect cases where there is a debt outstanding and payable.

- Automatically generate a demand for payment of the debt after a nominated period when the payment was not received, or has been made late.

- Report all outstanding debts by taxpayer, so that coordinated action can be taken across all debts owed by the taxpayer in a 'whole of client' view- ultimately including any Customs debt owed by the Taxpayer if they are a Customs client and the two Divisions are amalgamated.

- After a further period, automatically issue a stronger demand for the debt to be paid. Automatic retention of a taxpayer's debt history must be updated to the database.

- If after a further determined period and the debt is still outstanding, allocate the case for manual follow up via the case management system.

- Debt cases should be ranked for manual action based on risk assessment criteria, e.g. size of debt, age of debt, number of revenue types involved, taxpayer history etc.

- Support for collection of outstanding debts by installments.

- Provide for the ability for cases to be cleared via approved write off processes.

- Support the compilation of local and national debt collection plans.

- Generate management information on level and composition of debt, the volume of new debt, the amount of debt collected and the amount written off, the age of debt, the number of taxpayers who are in debt, status of cases allocated via the case management system, and an audit trail of adjustments made.

7. Case management system that can:

- Handle all types of workflow that lends itself to be managed as an individual case, e.g. a. taxpayer audit, a taxpayer debt, an outstanding return and responding to taxpayer correspondence.

- Prioritize cases to be created and allocated to predetermined risk assessment criteria.

- Electronically assign cases by a supervisor to case officers on the basis of relative priority.

- Record case details, with the majority of this recorded at the time of case selection.

- Present the history of other cases involving the same taxpayer.

- Recording of actions taken and date.

- Generate standard letters and notices as initiated by the case officer.

- Record case notes in free text.

- Permit re-allocation of cases.

- Record time to action cases and maintain status of case, e.g. pending, closed etc.

- Notify supervisors if cases are not being resolved in a timely manner.

- Retain and retrieve case history indexed by the taxpayer identification number.

- Generate determined management information for all case types, such as cases created, cases closed, cases still outstanding, and maintain an audit trail of adjustments made.

8. Audit Support system that can:

- Conduct financial analysis of return and other data to automatically select cases for audit. Other data will include import or export related information from the Kiribati Customs IT system.

- Prioritize selected audit cases based on predetermined risk management criteria.

- Allocate cases for manual action via the case management system.

- Provide information for the preparation of the annual audit work plan.

- Provide tools to assist with audit activities, e.g. software that can analyze taxpayer accounting records, links to other 3rd party information, and the ability to work remotely from a taxpayer site.

- Generate determined management information on success rate of audit cases selected, changes to selection criteria and maintain an audit trail of any adjustments made.

9. Taxpayer Services system that can:

- Support the development of taxpayer services products.

- Provide KTD staff with access to rulings database, public information, standard questions and answers for frequently asked queries.

- Ensure information and downloadable forms on the KTD website are accurately maintained.

- Allow interaction from the taxpayer by email through the website and with proper security allow taxpayers to view their account detail on line.

- Receive and record taxpayer correspondence which is then managed via the case management system.

- Receive and record taxpayer disputes, appeals, objections and amendments which are then managed via the case management system.

- Generate determined management reporting with an automated audit trail of any adjustments made.

10. Revenue Reporting and Forecasting system that can:

- Report on all revenue assessed across all tax types, nationally, by office, by sector and by industry and have the ability to analyze information to further levels if required.

- Enable real time reports to be generated by KTD and MoFED officials.

- The system should also have the ability to roll up revenue management information from both Customs and Revenue components if the Divisions are amalgamated in the future.

- Track revenue collection against predetermined budgets for specific tax types and for the revenue as a whole.

- Create and maintain revenue forecasting models that can determine 'what if' scenario planning outcomes for tax policy budget changes, and for determining the possible result of a specific KTD compliance strategy intervention work activity.

The above high level business requirements have been discussed with all the staff within the Tarawa Tax Office and feedback has been reviewed, considered and updated as necessary. It will not be possible to implement all of these ten core systems in one modernization upgrade for the KTD so a phased approach will be discussed later in the Transition and Implementation Phases of this Plan.

However based on the Current State Assessment findings and the above High Level business requirements from the ten core taxation systems the future IT environment for the KTD could be as follows:

- **An off the shelf software application will be operating** on all PCs and laptops which removes the need for any stand alone individually built software applications. The PCs and Laptops used by the KTD staff will be replaced on a regular basis via an asset management process that enables assets to be replaced at an agreed end of life timeframe compared to being replaced when they fail as is the current situation with the KTD desktop devices. Typically that agreed end of life should be based on the manufacturers recommendations.

The PCs and Laptops will be networked to a secure server environment that will perform regular information back up processes and perform security checking tests to ensure the desktop environment is not corrupted from computer viruses or other illegal acts.

It is expected that all staff who need a PC or in some instances a Laptop to perform their day to day work activities will have one allocated to them on a permanent basis

- **Telephony services** will be a vital method of undertaking service and compliance activities in the future. A phone is an essential tool for contacting Taxpayers, therefore as for PCs and Laptops, there will be a need to establish a phone to staff ratio of approximately one to one. As mobile technology becomes more widely available in Kiribati, the KTD staff may well have to use mobile phones to contact taxpayers, but will definitely need to be able to contact a taxpayer on their mobile phone if they do not have a land line for their business, place of work.

  To support all the new tools that will be available for staff to use in undertaking their day to day activities, appropriate KTD policies on how to use these tools will need to be developed and in place for desktops, laptops, internet access and mobile phones etc.

- **A robust server environment must be developed** that can support the future business requirements of the KTD. These servers should be housed in the appropriate accommodation, (air conditioned, redundant power supplies, secure etc.) until the government decides to build a purpose built computer data centre. If and when a data centre is built by the government, the server environment in place for the KTD should be moved into such a centre as quickly as possible in an effort to increase the robustness of the protecting the Revenue collections.

  As for PCs and Laptops, Server hardware should be replaced on a regular cycle, possibly every 5 years or in line with the manufacturer's recommendations. The operating system software should also be upgraded in a regular manner and most modern organizations aim to operate in an environment where their server operating software is only one version behind the latest released version.

- **IT and physical security for the KTD will be strengthened.** The practice of backing up current PC applications by individual USB devices must be stopped immediately and steps should also be taken to improve the physical security of accessing the accommodation that KTD is housed in. It is expected that the MoFED IT support staff will assume responsibility for the management of the current IT server and desktop environment for the KTD and their first task will be to implement a more appropriate daily system back up process. The introduction of the

new server and desktop environment will require the MoFED IT team to be strengthened both in terms of staff available to do the tasks and the necessary skills that these staff will be required to display.

- **The IT requirements for the KTD should be managed from the MoFED IT unit.** This will require the strengthening of MoFED IT staff numbers and capabilities to manage the future KTD IT environment**.** Apart from keeping the IT systems running on a daily basis, additional skilled staff will also need to be recruited by the MoFED to ensure that the IT environment for the KTD becomes significantly more robust.

  Over time, staff should be trained in an increased level of IT service delivery capability that will be appropriate to the standards required within the Kiribati government. As a guideline, IT management within the MoFED should review the available material from the industry best practice Information Technology Infrastructure Library (ITIL), and over time determine which areas of capability their IT staff should be developed in. For instance staff will need to be recruited or trained to perform the roles of, Capacity Planning, Security Management, Operations Support and when wider government issues are addressed, the critical role of Disaster Recovery management.

  Currently there are four (two on a temporary contract) staff in the MoFED IT division and to successfully undertake the day to day management of the KTD IT environment, the Mission estimates that this will need to increase by a further two full time staff.

- **All major business processes will be documented** as part of the purchase and implementation of the new IT application software. To ensure that the new software best meets the KTD's needs, staff from KTD will need to work alongside the chosen IT vendor and document their business processes. It will be important that the most knowledgeable staff are involved in this process so that they can use the documented processes to assist in training other staff within the KTD and to train new staff as and when they are recruited.

  It will also be important to keep this business process documentation updated with any changes on a regular basis.

- **Disaster Recovery (DR) Management Planning will be a key activity in the future.** With the KTD being one of the government's main revenue collectors, it will be critical that in the time of any future disaster the operations of the Taxation Division can continue in an appropriate manner. There are no Disaster Recovery guidelines in place for the KTD, let alone for the wider government of Kiribati. At the appropriate time, DR plans will need to be created, maintained and regularly

tested for all core government agencies, but before that can happen, there are some fundamental central government initiatives that must be developed and maintained.

- **The government of Kiribati's Ministry of Communications, Transport and Tourism (MCTT) department will need to take a stronger role** in ensuring that there are core activities in place that the other government agencies can leverage of. As mentioned earlier the GoK recognizes the critical role that ICT will play in the future and there will be many areas that they will need to strengthen overall capability within Kiribati.

Comments on some of these areas are as follows:

1. IT security. There will be a need for central government officials to prepare and maintain relevant Policy statements regarding IT security. These Policy statements should be broad enough to cover at a minimum,   Access Control; Acceptable Use; Application Development; Computer Viruses; Contingency (DR) Planning; Electronic Commerce; Email; Encryption; Firewalls; Internet Access and Delivery; Intranets; Mobile Devices; Network Security; Portable Computers/ Laptops; Physical Security; Security Roles and Responsibilities; SPAM Prevention and User Security Training and many more items.

Once an IT security Policy is created, then all staff within government who use IT systems in their day to day work should be trained on this Policy and on a regular basis checked to ensure that they are adhering to the Policy requirements.

2. IT audit capability. As the government agencies become more sophisticated with the use of IT systems in delivering service / products to the citizens of Kiribati, there will be a need to strengthen the IT audit capability within government. These audit capabilities will on a periodic basis review all government agencies to establish whether or not their IT activities are being performed in accordance with overall government IT standards and policies and ultimately international best practices.

A new IT audit capability exists within the National Audit Office (NAO), and its current focus is on auditing external Companies, not government agencies. The single IT Auditor is basing his audit activities on a number of ISO standards and is trying to train himself on the Control Objectives for Information and related Technologies (COBIT) methodologies. There is a need for the MCTT and the NAO to jointly work together to establish appropriate IT audit policies and to identify the necessary skills that future IT auditors will require. A work plan should also be developed to ensure that all government IT environments are audited by the NAO on a regular basis, say every 18 to 24 months.

3. Broadband telecommunications rollout. It is pleasing to see that the government has commenced the planning process to modernize Kiribati's telecommunication environment. The provision of widely available, cost effective Broadband technology that enables the citizens of Kiribati to be internet enabled will be a major pre-requisite to some of the future service delivery options for the KTD. The implementation of new server hardware and their subsequent IT software applications that this ITSP outlines are all building blocks towards the future that envisages the KTD being able to interact with its Customers via the internet.

4. The establishment and management of a central government computer Data Centre is another major initiative that government need to consider. The current IT sever environments within the government agencies are clearly not deemed to be anywhere satisfactory for the future. Their accommodation, security procedures, power supplies, and staff capabilities are not what you would expect to observe in modern IT environments.

As part of the planning for upgrading the telecommunications environment within Kiribati, serious consideration should be given to the establishment of at least one central government computer Data centre. It would be preferable if there were two such centres developed as then proper Disaster Recovery (DR) planning options could be developed.

It should be noted that the government of Kiribati may not need to "own " these centres as they could well be built and operated by external outsourced organizations, but it will be critical in the future that all core government IT infrastructure is accommodated and managed in secure computer Data centres.

5. The concept of DR planning also needs significant government leadership as this activity will become even more critical as agencies like the KTD and Customs become increasingly reliant on IT investments. The establishment of the above Policies and Infrastructure, Broadband, Data Centre etc. will enable other agencies to start considering options for DR planning. It would be to the government's advantage if appropriate policies and standard DR management plans were developed that could be adopted by all government agencies.

It is important to note that although this ITSP is aimed at improving the overall IT capability within the KTD, it is the Missions view that the KTD cannot do everything that is required on its own. Strong government leadership and effort undertaken by the staff of the MCTT will be required to ensure the matters raised above are addressed in an appropriate and timely manner, which will enable all government agencies to leverage from these types of central government investments.

C. The Transition Plan

As mentioned earlier, this part of the ITSP will identify strategies to manage closing the gaps between the KTD's Current State and Future State assessments and will include a high level budget to enable these gaps to be closed.

From a practical perspective, there are ten key components of the Transition Plan that will need to be managed by KTD and MoFED officials to successfully implement the ITSP. The ten key components are:

- Transition the current IT support for the KTD systems to the MoFED IT support team and strengthen that team accordingly.
- Establishing the IT Architecture principles for the future.
- Establishing appropriate Governance Roles and Accountabilities
- Establishment of a unique Taxpayer Identification Number (TIN)
- Data Cleansing and clean up of current environment
- Purchasing a new IT package system
- Training required to deliver the future
- Reviewing current KTD Legislation to see that it is future proofed for the upcoming modernization project
- The necessary financial budget to deliver the above
- The identification and management of Risks that will jeopardize the delivery of this ITSP.

Comments on these ten key components are as follows:

1. Transition the current IT support for the KTD systems to the MoFED IT support team and strengthen that team accordingly. The size and scale of the KTD does not warrant establishing its own internal IT capability and as the KTD is an integral part of the overall MoFED, then IT support should be delivered from that larger agency. Urgent steps should be taken now to transition the support of the current IT systems to the MoFED and then plan for what will be required once a new IT environment is in place for the KTD.

As mentioned earlier in this ITSP, additional skills and capabilities will be required within the MoFED IT team to support the KTD and this will require the recruitment of two more skilled staff members. These two staff should be recruited from additional funding allocated to the MoFED from the GoK and should not form part of the budget for the modernization, as there should always have been a government funding investment within KTD for supporting the IT environment.

2. IT Architecture principles that will guide the KTD and the MoFED for the future. While these principles may take some time to be widely used, the identifying and then subsequently adhering to these going forward will ensure that future investments are

undertaken in an optimal manner. Principles must survive the test of time, but are regularly reviewed and refreshed to ensure continual alignment with the business strategy, business environment and technology trends.

These are typically referred to as IT principles and to support the change that will be undertaken shortly, the KTD will need to plan to adopt these at the appropriate time in their modernization program. They are: (1) the key building blocks of a future technology environment; (2) when supported by appropriate standards and methodologies, the tools to assist in determining the success for IT in the future; (3) able to assist in providing stability, discipline and consistency for IT decision making; (4) they help to ensure future alignment to business needs and goals.

The high level technology architecture principles that should be progressively developed are outlined in Box one:

Box 1. General Architecture Principles

- The business requirements must drive IT and are key to the future of the IT environment.

- Each business process is owned by the business and must be reviewed for appropriateness and performance before considering IT enablement or further automation.

- To ensure efficiency across the KTD and MoFED, all projects involving IT resources, must be prioritized and coordinated via an IT governance process.

- Understanding the total cost of a solution from both an implementation and ongoing support needs is a critical requirement for IT decision making.

- Maintain a balance between innovation and risk, by carefully assessing risks against potential benefits when considering the adoption of new technology.

- IT decisions are made to provide maximum benefit to the Revenue administration as a whole.

- IT investments are recognized as KTD corporate assets and are managed accordingly.

- Ensure appropriate system security is in place so that information and systems are protected from unauthorized use and disclosure.

- Information is recognized as an asset and must be managed accordingly.

- As much as possible there should be "one version of the truth", e.g. collect data once but access it many times.

- IT systems are designed and implemented allowing for possible reuse by other business processes.

- Minimize the number of different technologies and products providing the same or similar service.

- Capacity must be anticipated and maintained to ensure appropriate responsiveness to end users.

- Every IT solution should have disaster recovery addressed as part of the implementation plan.

- Hardware and operating systems must operate in an environment where the software is only one version behind the latest released one and commercially developed package software should be purchased whenever possible, rather than build specific software products just for KTD.

While the above are referred to as IT principles, this is not really a good description of them. They are in fact guiding principles that the KTD could embrace across every business activity as these guidelines are the core decision making aids for now and into the future.

3. Establishing appropriate Governance Roles and Accountabilities that will guide all future IT modernization efforts. A steering committee within the KTD will need to be established to oversee all IT modernization efforts and this committee should be chaired by the Project Sponsor. This body will resolve project issues and risks, and will decide the viability of new proposals and allocate resources accordingly. It is expected that this committee will also have representation from external stakeholders on it, for example the MoFED and the Chamber of Commerce.

From a practical perspective it is assumed that the Project Sponsor for the modernization will be the Commissioner of Taxes and some of their tasks are to:

- Delivers a successful program to the Minister
- Ensures the governance structure is appropriately staffed
- Chairs the business of the modernization steering committee
- Solicits and obtains funding for the modernization program.
- Oversees the resultant Change Management activities both internal and external to the KTD that will arise as a result of the implementation of a new IT system.

It is pleasing to observe that the KTD has had experience with the creation and operation of a steering committee, as part of the recent introduction of a full and final PAYE system.

4. Establishment of a unique Taxpayer Identification Number (TIN). Both the November 2009 PFTAC Aide-Memoir and the March 2011 Public Financial Management Plan, identified the need for a TIN to be allocated to the current and future Taxation and Customs clients. The allocation and maintenance of a unique TIN for a customer is the cornerstone of any IT modernization and is a pre- requisite for any advancement within Kiribati. Fortunately most off the shelf IT systems for taxation and customs business processes contain modules that will issue and maintain TIN details.

One issue that has to be resolved for the KTD is the timely receipt of taxpayer registration information from the Ministry of Commerce. Currently an exchange of registration details happens once a year from the Ministry of Commerce, however not all registration details are forthcoming. For instance the Ministry of Commerce is withholding some Company related registration details and is requiring the KTD to pay for this information. Steps must be taken to ensure this practice ceases as soon as practical.

It is proposed that the Ministry of Commerce (if it is going to continue to collect the registration details required by the KTD), is instructed that on a daily basis all completed registration arrangements must be forwarded to the KTD at no cost. The current Inland Revenue Board Legislation allows for the KTD to receive this information in a timely manner and at no cost. The daily receipt of this information by the KTD will enable a TIN to be allocated to the taxpayer before they commence their business activities. This approach will become even more vital as Kiribati moves towards the implementation of a consumption tax.

Ultimately the two processes of registering a taxpayer and the allocation of the TIN may well be combined into one single activity once both the KTD and the Ministry of Commerce improve their IT environments and related business processes.

5. Data Cleansing and clean up of current environment will be another important task before the introduction of any new IT environments for the KTD. The November 2009 PFTAC Aide-Memoir highlighted that close to one third of business taxpayers on the taxpayer database were no longer in business. That report recommended that (a) all databases be cleansed and updated and (b) that decisions be made for redundant taxpayers with outstanding returns and taxes.

The above recommendations are still valid and become even more critical as the KTD advances the procurement of a new IT environment. Data cleansing must be carefully planned and implemented as it will be vital that only accurate and necessary taxpayer information is migrated into a new IT system.

6. Purchasing a new IT package system is the appropriate strategic approach to be undertaken to modernize the KTD. Most Tax Administrations are today moving towards package off-the-shelf technology solutions to deliver their changing business requirements. A number of countries who have modernized their environments during the 1990's were forced to develop their own in house software for their IT systems, as the package solutions were not developed sufficiently, however this situation has changed significantly over the last ten years.

The latest OECD Forum for Tax Administration, Taxpayer Service sub group report dated March 2010 on the application software solutions for supporting revenue administration commented that there is a great mix of technology solutions in place across their member countries being used to deliver Revenue Services. It found (that as mentioned above) most countries had historically developed their own software and were now moving to complement / replace these solutions with off- the – shelf package solutions.

This latest report concluded that ORACLE and IBM were the leading suppliers of software packages for Tax Administrations for Revenue purposes and SAS was the leading supplier of statistical and analytical reporting solutions.

The ORACLE and IBM enterprise taxation products have been developed over recent years to deliver a comprehensive range of product service to Tax Administrations and are now a viable alternative to custom development of software, however they do not supply a product suite that is suitable for the very small countries to adopt. A typical ORACLE or IBM tax implementation would commence in the range of US$15million upwards with some States within the United States spending in excess of US$100 million to modernize their environments. When preparing similar ITSPs for emerging countries within Eastern Europe, this author has used an indicative budget of between of €15 and €20 million as a benchmark to purchase the ten core systems required and their associated business processes.

The size and scale of an ORACLE or an IBM solution is not what is required for Kiribati, and so a more practical and pragmatic solution needs to be found.

In the authors experience there are three players in the market producing a lower level of package solution and sophistication for smaller Tax Administrations, e.g. Crown Agents (United Kingdom); SIGTAS (Canada); and DataTorque New Zealand Ltd. The main challenge with these solutions is to bring an acceptable level of ongoing support service for these products into the Pacific. This author has had some experience with both SIGTAS and Crown Agents in Africa and Eastern Europe and the main issue facing these solutions was the lack of any "local" capability to support the product, leading to the products very quickly getting out of alignment with the business processes that the Tax Administrations wanted to adopt.

Fortunately the CEO of DataTorque Ltd. was in Kiribati during the second week of the mission so the mission and all Tarawa based staff from the KTD were able to see a demonstration of their Revenue Management System (RMS) version 7 product. This demonstration and the subsequent discussions with the CEO DataTorque Ltd. confirmed that RMS 7 was a viable and cost effective means to undertake the modernization required for the KTD. This demonstration was well received by the KTD staff.

Datatorque NZ Ltd, have successfully implemented a mix of Taxation and Customs IT systems in other Pacific Island Nations, such as the Cook Islands, Samoa, Solomon Islands, Tonga, and Vanuatu, with support for these systems being also successfully undertaken by them from New Zealand.

Due to the size and scale of the operations within the KTD, the Mission proposes a different procurement approach is taken to purchase the IT system required. It is proposed that a pragmatic and practical approach to purchase is adopted to enable, that after satisfactory system demonstrations and possible follow up visits to other Pacific Nations, the KTD purchase directly from Datatorque NZ Ltd the RMS 7 IT software package by using a shortened tender approach. There is the possibility that the Customs Division may also purchase the Customs Management System (CMS) from Datatorque NZ Ltd and if this is to be the case, there is the opportunity to reduce costs and timeframes by doing the two implementations at the same time. A demonstration on the CMS was also able to be given to the Comptroller of Customs and his staff and this was also well received.

To facilitate this decision, it is also proposed that a fact finding visit is undertaken to the Kingdom of Tonga to view the Tax and Customs departments' use of the RMS 7 and the CMS systems. The visit could comprise of the Mr. Atanteora Beiatau, Secretary MoFED, Mrs. Taake Cama, Acting Commissioner of Taxes, Mr. Tekaie Hitaake, Comptroller of Customs and Mr. Tanginako Mikaere, IT Manager, MoFED.

Current procurement rules within the Kiribati government Procurement Act 2002, appear to allow for this pragmatic and practical approach to be taken, with Section 20 of that Act covering the steps involved in the "Conditions for use of restricted tendering:, and Section 22 of the same Act covering :Conditions for use of single-source procurement". The current situation within the KTD requiring the urgent upgrading of the IT environment would appear to fit within the conditions of the above two sections of the Procurement Act 2002.

Typically the creation of a full tender; going to the market; selecting a new product; tailoring that product to suit; then implementing a new solution can take in the region of 18 to 24 months, so a shortened procurement approach will be significantly quicker for the KTD, and will produce the pragmatic and practical solution that will suit Kiribati going forward.

This direct pragmatic and practical purchase approach was discussed and agreed with the Secretary of Finance and Economic Development in the Missions wrap up session with him. Initial discussions with the EU representative and the acting AusAID representative have also outlined an element of support for a shortened tender approach / direct purchase approach. The Kiribati government procurement rules need to be reviewed further to establish whether or not this pragmatic and practical approach can be taken.

If the approach to purchase RMS 7 direct from Datatorque NZ Ltd.is agreed to, then a formal letter from the Commissioner of Taxes should be prepared seeking a final proposal from Datatorque NZ Ltd. that will be the starting point for the modernization.

In order to adequately accommodate the new IT hardware for the new system, it is also proposed that a suitable computer room is built within the MoFED. This is seen as an interim step until a purpose built Data centre(s) is built by the GoK. As a minimum, any new computer room should provide, adequate air conditioning, security access, uninterrupted power supply, fire and water proofing and sufficient installed server racking to securely contain the servers in the event of earthquakes etc. Based on discussions with the IT manager MoFED, an estimate of A$30,000 will be incorporated into the overall ITSP costings.

7. Training required to deliver the future will be a critical success factor for the modernization project, and as mentioned earlier in this plan, the KTD will be required to identify staff with the capability or the potential to prepare business process documentation alongside the introduction of a new IT system. These people will become the experts in how the business processes should work and therefore how the IT system will support those processes. As the experts, they will also be seen as the first point of contact for all training requirements for the new systems and may be the same staff members that assist

with / document all the business processes and also undertake the user testing of all new IT changes.

8. Reviewing current KTD and other Agencies Legislation to see that it is future proofed for the upcoming new KTD IT system. While the mission has not had the time to review the current KTD legislation it is doubtful that the current legislation will completely support the future state from an electronic transaction perspective. Legislation will need to be reviewed at an appropriate time to ensure that when the KTD ultimately wishes to allow customers, to commence electronically filing documents and returns the legislation will allow that to occur. The Companies Ordinance and Registration of Business Names Act 1988 will need to be reviewed as it is this piece of legislation that the Ministry of Commerce are using to charge the KTD for company registration details.

9. The necessary financial budget to deliver the above will need to be provided to ensure that as much as possible of the future state can be delivered in a timely manner. The November 2009 PFTAC Aide-Memoir identified at a very high level an indicative high level budget for a new IT system and initial licenses at a range of A$200 to 300,000. A more comprehensive budget has been established in the March 2011 Public Financial Management Plan for Kiribati, which identified budgets of A$800,000 each for Tax and Customs, A$35,000 for an Intranet and an investment of A$250,000 for the IT Hardware and Network infrastructure to cover both the KTD and the Customs service.

This ITSP has reviewed those budget estimates and in conjunction with greater detail from Datatorque NZ Ltd, a more appropriate budget has been established broken into three proposed implementation. In addition to funding required for the new IT software package and Infrastructure, this Plan has also identified the need for: (1) replacement PCs to be purchased for the KTD; (2) additional telephones for KTD staff and associated network cabling within the MoFED building to be purchased; and (3) the building of an appropriate computer room also within the MoFED building. The budget estimates contained within the PFMP did not contain these costs, nor did it contain a cost for installing the appropriate hardware for the KTD on Christmas Island.

As a matter of good practice the proposed budget also incorporates a contingency factor of 15% and this factor was discussed and agreed with the Secretary MoFED. There was no opportunity to incorporate a contingency figure in the estimates contained within the PFMP.

As mentioned earlier in the Plan there is the possibility of reducing some of the costs for the KTD implementation if the decision is made to upgrade the Customs division using a Datatorque NZ Ltd. CMS solution at the same time.

Current budget estimates are contained in Table two

Table 2   Budget for the Modernization Phases

	Estimated ITSP Budget	
Activity	**Volume / description**	**Aust $**
Supply of Desktop PCs.	16 PCs @ $2500 ea	$ 40,000
Upgraded telephony environment	14 phones and associated cabling based on local estimates.	$ 20,000
Appropriate purpose built computer room in MoFED	Create a computer room to house the new KTD hardware	$ 30,000
RMS 7 Purchase Phase 1.	Phase 1 to deliver the first 5 core systems.	$ 343,700
Intranet development	To deliver internal intranet to complement desktop PCs.	$ 30,400
Training	Expense for 3 KTD and MoFED staff to visit Wellington once for detailed design and testing preparation	$ 13,100
RMS 7 Purchase Phase 2.	Phase 2 to deliver the last 5 core systems.	$ 255,000
Infrastructure Hardware	For Both Tarawa and Christmas Island	$ 198,200
Phase 3 estimate	High level estimate for Phase 3.	$ 178,000
Contingency	15% as discussed with Secretary MoFED	$ 166,260
Total Estimate		A$1,274,660

Initial budget discussion to date with the various donor communities (EU and AusAID) have been positively received, although at the time of those discussions, the above budget estimate was not available. Our discussions centered on the initial budgets of A$800k for Tax software, A$800k for Customs software and A$250k for IT infrastructure for both divisions as per the estimates contained in the PFMP.

The above budget estimate does not include any ongoing maintenance costs, as these maintenance costs should form part of the annual budget allocation from the GoK to the KTD. When a major IT modernization like is being proposed here for the KTD is undertaken, a critical success factor for ongoing success , is the allocation of an appropriate level of funding to ensure the application software and the IT infrastructure can be maintained on a regular basis.

10. The identification and management of Risks that will jeopardize the ITSP. During the creation of this ITSP, a number of risks have been identified and steps discussed to mitigate these. However it is certain that more will be identified as the modernization program proceeds.

Comments and mitigations on the known risks are contained in Table 3.

Table 3. Risk Management Register for ITSP

Risks	Potential Impacts across KTD	Risk Likelihood	Risk Impact	Risk Management Strategy	Responsibility
MoFED IT staff do not take over the day to day support of the current KTD IT environment.	Continuation of current manual procedures resulting in continued exposure to security related matters and possible lost data due to corruption / loss of USB devices.	High	Extreme	Identify an external party that can repair / replace current failed server and put in place secure daily back up procedures.	Acting Commissioner of Taxes.
A shortened procurement approach to purchase a new IT system is not acceptable.	Continuation of current manual processes and an estimated 18 to 24 months to procure a new IT system.	Possible	High	Agree to PILOT approach and review current MoFED procurement legislation to confirm approach.	Acting Commissioner of Taxes in conjunction with Secretary of Finance and Economic Development.
KTD business processes are not documented at the time of implementing a new IT system	New IT systems will not reflect the best way to operate the business processes within the KTD, and the new system will quickly become out of step.	Possible	High	Key component of the design phase for new IT systems, and a main component of the ITSP Transition Plan	Acting Commissioner of Taxes.
The appropriate support tools, PCs, Phones etc. are not put in place.	Staff will not be able to use the new IT environments fully and they will not reflect a modern, professional work force. The expected efficiencies will not be delivered.	Possible	High	Ensure these support tools are appropriately budgeted for as a result of the ITSP.	Acting Commissioner of Taxes.
Momentum from this ITSP is not maintained.	Modernizing progress will not be made in KTD	Possible	Very High	Consider the prospect of ongoing TA to be located within Kiribati for up to 2 years.	Acting Commissioner of Taxes./ PFTAC.

Transition Plan Recommendations

The mission recommends as follows:

- Urgently transition the support of the current KTD IT environment to the MoFED IT support team.
- That the GoK plan and appropriately fund an enhanced MoFED IT team to support the new KTD IT environment.
- Review and adopt the General Architecture Principles for all new IT initiatives.
- Establish a Steering Committee to oversee the procurement and implementation of the new IT environment.
- Introduce a TIN process as part of implementing the new IT environment.
- Arrange for completed registration details received at the Ministry of Commerce to be forwarded to the KTD on a daily basis and at no cost to the KTD.
- Review current KTD and other Agencies Legislation to see that it is future proofed for the upcoming new KTD IT system.
- Progress necessary data cleansing activities before any new IT system is implemented.
- Undertake a fact finding visit to the Kingdom of Tonga to review their use and satisfaction with RMS 7 and the CMS systems.
- Determine best method for purchasing in the most pragmatic and practical manner, the new IT environment of RMS 7 from Datatorque NZ Ltd.
- Once purchase from Datatorque NZ Ltd. is agreed, prepare formal letter to them requesting final proposal.
- Identify appropriate KTD staff to prepare business process documentation as part of implementing the new IT environment.
- Formalize discussions with Donor Communities regarding budget allocation to enable the purchase of the new IT environment.
- Manage and maintain an appropriate Risk Register during the implementation of the new IT environment.

D. Implementation Approach

The success behind any Plan is the commitment to make the implementation happen in an effective and timely manner. While it has been pleasing for the Mission to observe the level of support from government officials and the donor communities, it is what happens next that matters most.

The KTD does not have the capability, the capacity or the need to dramatically modernize itself over night. Instead a more measured pragmatic approach should be planned for.

This ITSP has identified the need for a three phased approach to modernizing the KTD and comments on these phases are as follows:

1. Phase one involves the procurement and implementation of RMS 7 from Datatorque NZ Ltd. However not all the functionality that is currently contained with RMS 7 should be implemented in this first phase.

It is recommended that only five of the ten core IT systems mentioned in this ITSPs Future State Assessment are implemented in this phase. These are; (a) Taxpayer Registration; (b) Payments Processing; (c) Returns Processing; (d) Taxpayer and Revenue Accounting; and (e) Debt Management.

By implementing these first five core systems, a solid foundation will be in place that will enable the KTD staff to identify and implement any new business process improvements that the new IT environment will make possible. Once contract related matters have been finalized, it is estimated that this first phase would be successfully implemented during second quarter 2012.

To support the introduction of new IT hardware and desktop software contained in this first phase, it is also recommended that an Intranet capability is introduced to the KTD at the same time. This Intranet capability will contain details of all the KTD's business processes, training materials, workflow diagrams, and staff directory which will enable for better internal communications to occur across KTD. When a staff member logs on to their system each morning, the Intranet system will automatically appear as a default home page, helping them to check for the latest KTD information.

2. Phase two involves the implementation of the remaining five of the ten core IT systems, being; (f) Returns Management; (g) Case Management; (h) Audit Support; (i) Taxpayer Services; and (j) Revenue Reporting and Forecasting. It is not a concern that the Revenue Reporting and Forecasting system is in this second phase, as all of the ten core IT systems have a significant level of management reporting contained within them that will suffice the current management information needs of the KTD and the MoFED.

The phase two IT systems primarily focus on compliance related activities and new taxpayer services opportunities. It is considered that an appropriate time for implementing Phase two will be as part of the preparation for the introduction of the new Consumption Tax. This is estimated to be January 2015 and so phase two should be completed during mid to late 2014.

3. Phase three would see the KTD becoming a very modern tax authority and performing many of its day to day service and compliance activities over the Internet. However, before phase three can occur, there will need to be a considerable strengthening of the overall IT capability for Kiribati. The activities outlined earlier in this Plan to strengthen overall IT security, develop appropriate Standards and Legislation, implement, a Broadband internet service, establish a central government Data Centre are all pre- requisites before the KTD can confidently consider a strong Internet presence. The MCTT and the wider government of Kiribati will be required to assume responsibility for implementing these activities as no single agency such as the KTD can undertake these tasks in isolation.

It is assumed that any phase three activity would occur post 2015.

Implementation Approach Recommendations

- Adopt a pragmatic three phase approach to modernizing the KTD.
- Implement the first five core IT systems during second quarter 2012.
- Implement the second five core systems as part of an overall plan to introduce a future Consumption Tax.
- Distribute copies of this Plan to all relevant government agencies and donor communities for them to understand what roles they will need to play in the overall modernization of the KTD.
- Ensure the MCTT assumes responsibility for advancing the wider IT infrastructure measures needed within Kiribati.

3. SUMMARY

This ITSP has been produced as a pragmatic and practical way forward for the KTD from is current almost non existent IT environment to an environment that will significantly improve the organizations overall capacity and capability. A major focus of this ITSP has been on creating a document that is easily understood across the KTD and amongst other key government agencies and the donor community.

The management and staff of the KTD will not be able to implement the findings of this Plan on their own, as they will require significant support from both inside and outside of the government. Although this Plan primarily focuses on the Taxation Division, aspects of the Plan will assist the Customs Division with their own modernization, and the Plan also contains a clear direction on a number of initiatives that the MCTT will have to advance on behalf of Kiribati overall.

Ongoing donor support will be a critical success factor for the implementation of this Plan, as it is through donor contributions that the funding to enable the IT environment to be created will be realized. As well as supplying financial capacity for the introduction of the new IT environment, it is considered that the donor communities should also consider if requested, what other practical Technical Assistance (TA) can be provided to the KTD to maintain the momentum required for the modernization program.

It is recommended that the Commissioner of Taxes considers whether or not it would be appropriate to secure a suitably skilled and experienced person who should be located within the KTD for a period of approximately two years. If this is considered appropriate, then PFTAC should be approached to facilitate this role being sourced with the assistance of the wider donor communities.

Consideration should also be given by the Commissioner of Taxes for a further PFTAC TA mission to review progress and undertake an element of Quality Assurance on the IT modernization program once it has progressed sufficiently.

Summary Recommendation

- The KTD should consider if further TA is required to implement this Plan, and if so formally approach PFTAC to facilitate this requirement.