

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

**Budget Estimates**

1 June 2010

**Question:**           **BET 227**

**Topic:**               **ATO Change Program – Release 3 (ATO)**

**Hansard Page:**       **Written**

**Senator XENOPHON asked:**

1. The ATO issued a number of memos to tax agents saying that implementation of the program would not proceed until there was minimal risk of disruption. What testing was conducted prior to roll-out?
2. Did a full-test of the program end-to-end take place? What was the outcome?
3. Can you provide a copy of the testing report(s) performed before you went live?
4. How many ATO staff, over how many hours and days, managed the implementation of Release 3?
5. Who authorised the go-ahead of Release 3? On what basis was the decision made?
6. Were you provided with any advice that roll-out of Release 3 should be postponed?
7. What failsafe provisions did you have in place for any problems that might occur with the changeover?
8. Given you were transferring approximately 22 million records, would it not have been common sense to have failsafe provisions in place?
9. If you had no failsafe provisions, and there were identified risks, what was the rush to rollout Release 3?
10. When did the Commissioner become aware of problems with the Change Program?
11. How much will be spent on staff this year compared to the 2008/09 year?
12. What preparations is the ATO making for claims of compensation?
13. Comcare has also highlighted concerns about the available training for staff of the new system – what training was conducted?
14. What changes has the ATO implemented after the CPSU's survey of ATO staff in November last year which found over 72 percent of respondents claimed to have suffered some type of health complaint associated with the use of the new system? Symptoms included muscle aches and pains, eye strain, headaches, stress and fatigue.
15. Given some employees may be concerned about any repercussions of going to the Inspector General of Taxation, what guarantee can you give that no employee will be negatively impacted by their involvement in the Review?

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

16. Why did the ATO decide to end its contract with Accenture? Why was the contract not terminated earlier, if Accenture was not performing to an appropriate standard?

**Answer:**

1. The level of testing undertaken for the Income Tax release was unprecedented in the ATO.

In the lead up to the release the ATO undertook very extensive testing of the income tax system with the aim of minimising the implementation risk. The testing methodology followed was built on from previous releases and included consideration and response to recommendations from commissioned reviews, including from independent assurers, as well as findings from ATO Internal Auditor and the Australian National Audit Office.

Of all the testing performed Integrated Product Testing (IPT) was a large component. This suite of testing was successfully run over a 12 month period and involved:

- 339 end-to-end business scenarios, including
- 8,158 total test steps made up of 3,651 primary test steps and 4,501 ancillary test steps.
- 13 Performance Test scenarios, covering 429 test conditions and multiple day-in-the-life tests.
- 300 separate penalty & interest scenarios.
- Results of multiple conversion tests across full production data volume were used in IPT, Parallel Run and Business Pilot testing.

The following is an overview of the different testing performed as part of the Income Tax release:

- **Unit Testing:** Testing performed at the discrete code module level. It is structured to test boundary type conditions and is designed to test each branch of logic within a discrete code module.
- **Disconnected Test:** Testing performed specifically on modules that exchange or interface data between one or more code modules. It is structured to test each path through a flow of data exchanges by stopping at each step of the flow and examining the payload of data for completeness in format and content.
- **Assembly Test (or String Test):** Testing performed on a group of modules or code components that make up a discrete function (e.g. posting a form, executing a specific set of subroutines in a batch). It is structured to test one or more (but not all) logic paths within the functional area subject to the test against a set of expected results.
- **Integrated Product Test:** This title represents a suite of testing comprised of the following test types:

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

- **Product Test:** Testing based on scripts that cover the entire inventory of test conditions and expected results. These conditions are based on the functional designs of the software. It is structured in a “follow the script” fashion that includes the input / use of data chosen to cover a high percentage (but not all) logic scenarios. The list of scenarios was signed off by relevant ATO staff.
- **Integration Testing:** Script based testing targeted specifically at interfaces between Integrated Core Processing (ICP) and external agencies (e.g. Centrelink, CSA) as well as other internal ATO systems. This testing is scripted much the same as Product Test; however these tests often required special timing / file handling procedures to cater for inter-agency or inter-system testing and thus it was treated as a separate type of test.
- **Legacy Testing:** Testing of Legacy Systems to verify changes required by the migration of Income Tax processing in to ICP. This testing was a combination of script-based and adhoc testing conducted by the Enterprise Test organisation within Enterprise Solutions and Technology sub-plan.
- **Performance Testing:** Testing designed to prove the achievement of throughput targets derived from volumetrics provided by the ATO Strategy & Architecture organisation. This automated testing exercised code at the discrete batch / process level, at a “day-in-the-life” level, and at a stress test level.
- **Penalty and Interest Regime Testing:** This testing represented a “deep dive” into the various Penalty and Interest regimes within the accounting areas of ICP. This test was structured for the ATO Business to test until they were satisfied that all penalty and interest regimes were verified.
- **Form Definition Verification:** This testing represented a “deep dive” into the verification of labels, mappings, and calculations contained in the form definitions that would deploy in the Income Tax Release.
- **Regression Testing:** re-execution of impacted IPT scenarios following code changes to the production candidate code base.
- **Conversion Testing:** Broad title applied to the suite of testing performed as part of the Conversion effort within the Income Tax Release. It was comprised of:
  - **Database Testing:** Testing performed to verify data at the individual table and field level.
  - **Balance & Reconciliation:** Testing to verify converted account balances (individual and GL level) as well as converted form data matched the expected results as derived from source data.
  - **Discard Analysis:** Testing to verify that any data which resulted in a discard (error) from the conversion processing was identified as expected (known data quality issue) or manually remediated.
- **User Acceptance Testing:** Testing designed to provide a subset of end users an opportunity to execute a subset of end-to-end scripts.

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

- **Production Regression Testing:** Execution and verification of current production end-to-end business scenarios to verify that the Income Tax release did not impact current production functionality for both ICP and Legacy applications.
- **Parallel Run:** Execution and verification of a single days execution in ICP based on data as processed in to the legacy (NTS) system. The test process began with a conversion run to bring ICP up to the day before the target parallel day and then a single days (a real day already processed in NTS) lodgments were processed in to ICP. Once loaded, the batches were executed in ICP and the results of these batch runs on the accounts were compared to the results from NTS.
- **Business Pilot:** Followed on from the Parallel Run activity. It was designed to provide a broader user group an opportunity to verify business procedures and get a “real life” feel for the new system. It also provided an opportunity for operations staff to test issue escalation and communication procedures.
- **Run Ahead:** This activity was less a test and more a confidence building / predictive exercise. The run ahead process was designed to predict how the production system would behave in a processing sense in advance of actually processing data into live production. The Run Ahead process essentially started loading the stockpile of inbound forms into a non-production environment to give advance intelligence to the ATO operations staff regarding error and suspense rates as well as predictive timings.

The decision to roll out (deploy) the Income Tax release was informed by the results of testing, the status of system and business readiness, and on the advice from independent advisors.

2. Yes, a full test of the program took place. Specialists involved in the testing process signed off on the release and the results of all testing activities were provided to the ATO’s Change Program Steering Committee, which recommended that the ATO proceed with the deployment of the system on 21 January 2010.
3. As identified in response to BET 227 Question 1, very extensive testing was carried out on the Income Tax system over a long period of time. Testing reports are therefore numerous (as there are separate reports for specific areas of testing), and voluminous.
4. The Income Tax system was the largest information technology system ever implemented by the ATO. There were large numbers of senior people involved in various aspects of this system. Some of the arrangements used for the implementation included the Change Program Steering Committee, chaired by the Commissioner, the Enterprise Solutions and Technology sub-plan executive, chaired by a Second Commissioner, the Change Program Management

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

Committee, the Change Program Program Management Office and various release management stakeholder committees.

For each release, a senior Senior Executive Service band two officer was assigned as release sponsor responsible for implementation management – subject to contractual arrangements with program partners. The release sponsor was supported by various senior stakeholder committees, including a Business Readiness Steering Committee and a Senior Leadership Group.

For the Income Tax release, the Second Commissioner, program partners and various Senior SES band 2 officers met daily, once conversion activities commenced, to review progress and provide overall governance over the implementation of the Income Tax release.

Given the size of the system implementation it is not possible to specify the number of staff and the hours spent managing the implementation.

5. As chair of the Change Program Steering Committee, the Commissioner of Taxation authorised the deployment of the Income Tax Release on 21 January 2010. The decision to proceed with deployment was made after consideration of recommendations from the release sponsors, independent advisers, program partners Accenture and senior staff.
6. All options were considered, including alternate delivery dates. At the final decision point on 21 January 2010 all advice supported the 'roll out' of the system. There was no advice that the release should be postponed.
7. The initial fail safe provision was that if conversion failed, the deployment would have been stopped.

Following the successful conversion of data from the old system to the new system, the ATO deployed various mitigation strategies, pre and post deployment, to assure confidence in the new income tax system:

#### **Pre-production activities**

The combined activities for the Income Tax Parallel Run and the Business Pilot were referred to as the Income Tax Pre-Production Pilot.

The ATO utilised the "Pre-Production Pilot" as an additional assurance process for the Income Tax release. During this pilot two snapshots of production data and transactions were taken which constituted a "day in the life of the income tax production cycle". The data was loaded into the new system and the transactions were then processed using the new system. It was then possible to compare the results of processing returns in both systems.

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

#### Parallel Run

Mitigated the implementation risk of the Release 3 Income Tax release by identifying any major gaps and/or issues in the processing of the Individual Income Tax Return and Company Tax Return forms and other related services before the application was deployed into production. No major gaps were found;

- Validated that income tax forms processed in the new Income Tax system reconciled to the output/outcomes achieved with the old National Taxpayer System, and any differences explained;
- Built confidence in the ability of the Integrated Core Processing (ICP) system and associated enterprise systems to process a broad range of income tax transactions;
- Provided an understanding of the ICP processing profile – for example, identification of processing rates for income tax forms which process automatically without intervention, require manual intervention to complete or require further review; and
- Confirmed that identified risk areas (for example, penalty and General Interest Charge/Shortfall Interest Charge application) functioned correctly when processing high volumes of income tax forms.

#### Business Pilot

Enabled ATO business to evaluate new business processes incorporating the new income tax system;

- Enabled evaluation of changes to the internal and external client experience by replicating (as much as possible) the end-to-end processing of income tax return forms incorporating the new income tax system;
- Exposed staff involved in the pilot to as many business processes incorporating the new system as was possible. This provided them with the ability to provide support, experience and expertise when back in the normal workplace; and
- Measured and evaluated the business tools, processes and procedures to be made available to operational support staff.

The Parallel Run and Business Pilot were in addition to other testing regimes and did not substitute for any other testing required by the ATO Change Program.

#### **Post Production activities**

The ATO utilised the following controlled environments to ensure the results could be verified before releasing income tax assessments / refunds:

#### Run Ahead

The Run Ahead process was a key confidence builder in the weeks leading up to and immediately following full production deployment. Income tax forms were put through the production-like parallel run environment (that is in a controlled environment) before being put into the live production environment. This provided predictive insight into how the system would behave ahead of live

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

production processing. It also enabled operational support staff and Production Pilot staff to be ahead of the curve in terms of what likely issues / personnel would be needed in advance of live processing.

#### Safety Net

The Safety Net provides the ATO with a capacity to manage the release of returns according to any identified defects or potential impacts on clients or the ATO. The Safety Net functionality enables the selective “trapping” of income tax return forms based on predetermined criteria. The primary reason for the Safety Net is to trap returns and enable staff to verify or correct results before releasing assessments / refunds.

8. See question 7 – Failsafe provisions were in place.
9. See question 7 – Failsafe provisions were in place.
10. The Commissioner was fully briefed about progress of the Income Tax release which included, as needed, daily briefings from the responsible Second Commissioner. The Commissioner also chairs the monthly Change Program Steering Committee.
11. In 2008/09 ATO (including Australian Valuation Office) employee related expenses were \$1,899,865,000 (source 2008-09 ATO Annual report p253).  
  
The 2009/10 un-audited figure for ATO (including Australian Valuation Office) employee related expenses was \$1,951,419,000.  
  
Note: Employee expenses include items such as salary & wages, superannuation, leave, separation & redundancies.
12. The ATO has well-established procedures in place for taxpayers or tax agents who wish to claim compensation under the *Detriment caused by Defective Administration* scheme.  
  
There is a form for claiming compensation on the ATO’s web-site and all claims are taken on a case-by-case basis.  
  
The numbers of claims have been small and special arrangements have not been necessary.
13. Comcare noted that “...the training for release 3 had changed as a result of feedback from staff regarding training for release 1 and 2. The resulting training package for Siebel release 3 is comprehensive and includes an OHS module”.

## **Senate Standing Committee on Economics**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

##### **Budget Estimates**

1 June 2010

For the Income Tax release of the Change Program we developed 186 separate training programs, enabling over 10,700 staff to successfully prepare to use the new system. This training was tailored to suit the needs of staff by including information on how to use the system effectively, complimented with a range of business contextual information. This was designed to support staff in applying the enterprise knowledge when performing their work. A range of delivery mechanisms for this training has been provided to staff, including on-line training, tailored presentations, job aids and communication tools.

Prior to being made generally available from early January 2010, the training packages underwent extensive user testing - draft versions of the training packages were available in November 2009 for those staff who required earlier access to the training material. Leaders from all relevant areas of the ATO were consulted to tailor their training investment to suit the level of systems access required by their staff. Some staff, who do not have extensive system access, completed around 15 hours of training. For other staff, who are extensive users of the system, the training was up to 40 hours.

The outcome of this investment was to provide staff with a detailed training experience, that helped them to not only understand how to use the system, but also how to apply that knowledge in how they performed their work.

In addition to new systems training 10,050 employees successfully completed a health and safety training income tax release module between 1 October 2007 and 6 November 2009. The module includes identification of health and safety risk and mitigation strategies and is compulsory for all staff prior to using Siebel.

14. The CPSU's survey results were reviewed and considered in the broader context of the ATO's focus on health and safety risk management, injury prevention, early intervention and the Siebel risk assessment action plan.

The ATO has a rigorous program to address computer based injuries. This includes the close monitoring of both injuries and incidents in order to determine if specific computer applications are placing the ATO workforce at risk. The monitoring of the Siebel system, over the past five years, has not revealed the presence of any incidents or injuries specific to the use of the Siebel system in the ATO workplace.

Since the first deployment of Siebel in 2005 there has been a decrease of 54 per cent in the number of computer based type injuries (muscular skeletal disorder). Further, there have been no injuries related to eye strain during this time.

#### **Prevention**

The ATO has a range of injury prevention initiatives:



## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

##### Budget Estimates

1 June 2010

- Education programs on the importance of recuperative breaks for injury prevention
- *Mind the Mind – Mind the body* initiative focusing on early signs of physical and psychological injury
- Work aids such as short cut keys to reduce the need for scrolling and/or mousing
- *Manager communication kit* promoting safe computer work practices and key prevention messages
- Comprehensive information for staff about preventative measures such as correct ergonomic posture and how to maintain healthy eyesight, including with the reimbursement of some cost of spectacles.
- *Employee Assistance Program* where employees may seek one-on-one support
- *Onsite Psychologists Program* providing staff with real-time access to psychological support in the workplace

#### **Early intervention and injury management**

Employees are encouraged to report discomfort or injury at its earliest onset through an electronic notification system. Referrals are then made to specialist services, including psychologists, occupational therapists and physiotherapists, depending on the nature of the reported injury. Employees who require longer term injury management are referred to a Case Management Consultant for ongoing support through rehabilitation services.

#### **Siebel action plan**

The Siebel Action Plan represents a long term and comprehensive program to implement risk mitigation strategies in respect of the Siebel computer system. The action plan was developed following extensive and ongoing reviews of the original 2006 Siebel risk assessment and included considerable consultation with stakeholders. Clear responsibility and accountability for each mitigation strategy is allocated to a business owner and regularly monitored for progress. We have been particularly successful in reducing musculoskeletal injury (MSD) rates. Our records show that there have been very few MSD injuries directly related to Siebel and no reported eye injuries directly related to Siebel.

On 30 April 2010, Comcare acknowledged “...*the significant amount of work that the ATO have put into managing the implementation and management of the hazards associated with introduction of the Siebel computer system*”.

Comcare’s report noted that the ATO had taken appropriate measures to mitigate the risk arising from high levels of mouse use associated with the Siebel system. The report also noted that although administrative in nature, controls had also been implemented for addressing problems caused by font size.

## **Senate Standing Committee on Economics**

### **ANSWERS TO QUESTIONS ON NOTICE**

#### **Treasury Portfolio**

##### **Budget Estimates**

1 June 2010

Also available to staff is Siebel specific occupational health and safety training, which has been completed by more than 5,500 staff.

15. On 31 May 2010, the Commissioner stated in an all-staff newsletter that “there will be no prejudice against any tax officer who chooses to make a submission to the Inspector-General’s review, providing they abide by the law.”

The Commissioner has also reminded staff that if they were thinking of making their own submission, they should read the Inspector-General’s guidelines first. Further, he reminded staff that as tax officers they should be aware that privacy and secrecy laws still apply to any submissions to the Inspector-General they choose to make and that given this, they should be careful in providing confidential information and avoid disclosing taxpayer information, unless directly requested to do so by the Inspector-General of Taxation.

16. The ATO did not terminate the contract with Accenture and the ATO has been very satisfied with Accenture’s standard of performance. Accenture successfully delivered all releases in the Change Program as contracted.

Following negotiations with Accenture it was agreed that the contract for the Change Program should be finalised. It was agreed the Income Tax release would be the last major release of the Change Program which effectively came to an end on 30 June 2010.