

Capgemini Australia Pty Limited

GPO Box 3134, Canberra City ACT 2601

Tel: +61 2 6230 1790 Fax: +61 2 6262 9587

www.capgemini.com

21 January 2010

Bill Gibson
Chief Information Officer
Australian Taxation Office
Genge Street
Canberra ACT 2601

Dear Bill

Capgemini input into the Go/No Go deployment decision for the Income Tax Release

Background

The purpose of this letter is to provide Capgemini's input to the Income Tax Go/No Go Decision Checkpoint being undertaken by the Change Program Steering Committee (CPSC) on 21 January 2010.

In August 2008 the ATO revised the Release 3 deployment plans of the Change Program to incorporate the Company Tax and Individual Income Tax functionality into a single Release that saw progressive completion of the Income Tax functionality with Company Tax build and test to be finished by January 2008 and Individual Income Tax functionality built and tested by 30 June 2009.

Capgemini has been conducting independent assurance of the technical delivery of the Income Tax Release since this time.

These assurance services have been undertaken in accordance with the Deed of Service Provider Contract (Change Program Head Agreement Number 04/5502). For the duration of this Release, Capgemini's focus has been on assurance of the technical delivery of the Income Tax Release in accordance with the scope of work defined in the Independent Assurance Work Orders, numbers 15, 16 and 17.

In September of 2009 the ATO identified that there was merit in increasing the assurance functions to cover areas outside of the technical development. This introduced an additional assurance provider and the ATO established an Assurance Framework covering four key areas:

1. Key Production Scenarios
2. Staff Readiness
3. Community Readiness, and
4. System Implementation Readiness.

Capgemini under the Work Orders mentioned above is responsible for reporting on area 4 of this framework. As a result of this reporting we also establish insights into the other areas of the framework and where we believe it is material and for the sake of completeness, we have provided commentary relating to these areas for consideration.

Summary of technical issues affecting System implementation readiness

The summary information provided in this document follows on from the Independent Assurance reports tabled at the CPSC meetings held over the course of the Income Tax Release with particular reference to the two recent Income Tax Go/No Go decision checkpoint meetings held on 22 December 2009 and 14 January 2010.

The Income Tax Release plan endorsed by the CPSC in their meeting on 28 August 2008¹, approved combining Company Tax and Income Tax functionality into a single Release with the Product Testing to be completed by the end of May 2009, with User Acceptance Testing (UAT) occurring from May to June 2009. UAT would be followed by the ATO undertaking a six month business assurance stage that enabled all levels of the business to assess the impact of the new system on the ATO business practices and workforce and put in place actions to manage any change where required. This assurance was to be undertaken on a stable codebase that was exercised via Parallel Run and Business Pilot activities.

Capgemini reported at the CPSC meetings between December 2008 and April 2009 that the volume of technical issues presented at each of these meetings would result in the planned date for completing Product Test (June 2009) would not be met. Subsequent completion dates were approved sequentially over the next four months, with various final dates being proposed between October 2009 and January 2010.

On 24 November 2009 a status report was tabled at the CPSC highlighting significant severity 1 defects in the Income Tax Data Conversion and Product Test.

A series of planning and assessment activities were instigated and regular meetings to assess their efficacy were scheduled, the dates being 22 December 2009, 14 January 2010 and 21 January 2010.

Throughout this time actions and mitigations have substantially reduced the number of defects in both the Income Tax application and the data conversion suite.

As of 19 January 2010, Capgemini's assessment of the existing severity 1 defects stood at 54².

As already noted, the role of Capgemini is to assure the completeness of the technical solution. While the basis of the technical assessment as at 21 January 2010 indicates, independent of mitigation strategies, the Income Tax technical solution would not be ready to Go Live.

At the CPSC meeting on 21 January 2010 we were advised that the primary area of concern, being the severity 1 defects, had now been eliminated and complete for the purposes of a Production deployment commencing on 22 January 2010.

Our experience and understanding of accepted practices for the software development lifecycle indicate that the close proximity of resolution of these issues to the actual go live date is a reasonable risk.

Analysis as of 19 January 2010 indicates that known defects will be deployed into the Production environment.

We would expect the ATO to take these factors into consideration when making the final Go/No Go Decision.

¹ Refer to the document tabled at the CPSC meeting on 28 August 2008 titled "Release 3 Replan".

² Source: Income Tax Release Weekly Executive Status Reporting Metrics – 18th January 2009.

The fluid nature of the activities between the December and January meetings mean that the timing, availability and completeness of evidence is not as comprehensive as that supporting previous reports, however we have noted that both the ATO Release Sponsor, the implementation partner and the ATO officer responsible for applications support and maintenance have confirmed that all severity 1 defects have been eliminated.

We have confirmed that these severity 1 defects have been either

- a) Reclassified according to mitigation and or remediation plans such as fixing in production or during the weekend conversion, or
- b) Rectified sufficiently and successfully retested to the satisfaction of the ATO.

It is our view however that the risks to the ATO, in light of the above will be business risks and therefore the CPSC needs to consider the material presented on mitigations, the impact that planned legislation changes may have on the Go/No Go Decision, the potential impact of the Henry review and the potential costs arising from any increase to the numbers of resources required to achieve Go Live versus the cost of holding the release back and any other relevant business considerations.

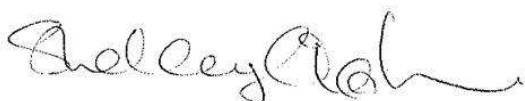
We understand that overall the ATO is comfortable it can manage any broader business risks when they emerge. This understanding is supported in the minutes of the last two Go/No Go Decision Checkpoint meetings (22 December 2009 and 14 January 2010) where both the ATO and Aquitaine Consulting have reported on actions to assess the known business issues, identify mitigations and also put in place other business and technical structures to deal with unforeseen issues as they arise.

It is worth noting that since the CPSC meeting on 24 November 2009 significant planning, response and work effort have gone into remediating the position of that time. Given the dynamic environment created by such an extensive work effort we would make the following observations and recommend that the ATO pay specific attention to these:

- We recommend that by the next CPSC a complete and detailed plan that outlines the development of deferred functionality, isolated from the fix schedule, that includes plans of adequate resourcing and funding for both is provided,
- That the ATO obtains specific confirmation that the original commitments and intent of the program are able to be achieved, i.e. those opportunities for process reengineering and optimisation are not lost. In particular that where workarounds are being established within processes to enable defects to be resolved that there are adequate assessment and rectification steps to ensure that the integrity of existing core ATO processes are not undermined and opportunities to improve them are not lost. Essential to achieving the outcomes of this investment is that the implementation of workarounds does not become the “norm”.
- We recommend that the ATO establish funding and support for additional process monitoring assistance and where necessary change interventions that are fed back to the development team to ensure that the new system does not replicate old processes.
- We note that the summary of the deployment weekend and detailed Pilot plan highlights a “roll back” decision point planned for the period 27 to 31 January 2010.

- We recommend that a risk and probability plan that details the criteria for failure and the steps that will be undertaken should a roll back be required. This plan is to be completed prior to 27 January 2010.
- We recommend that the INFRA becomes the single source of the truth for recording all known issues, either system or non system and that the assurance providers reports on the efficacy of this at each subsequent CPSC.
- We recommend that complete documentation be provided prior to 1 February 2010, for the functionality and process for the Safety Net and that this Safety Net is fully functional prior to commencement of processing of Income Tax Returns and that over the next month this system is thoroughly monitored and reported as part of the assurance activities.
- We recommend that the ATO work to move large volumes of transactions through the system as early as possible to expose errors and allow fixing prior to TT10.
- It is essential that the code base is fully stabilised prior to TT10 deployment, and we recommend that the ATO seeks commitment to this by the implementation partner, without penalties to the ATO, prior to the go live this weekend.
- That where there are key man dependencies and single sources of knowledge, we recommend that the ATO establish immediate plans to support these people and extend the skill base and present these to the next CPSC.
- There is a need for full audit logging of errors and fixes and we recommend that the deployment dashboard be completed and that audit logging of user access is finalised and recorded within the deployment dashboard prior to Go-Live
- With the pressures on the ATO workforce to achieve this implementation we note the important role that the Income Tax Release Senior Leadership Group will play and we therefore recommend that the procedures to support this group are documented and include back up support where individuals are unable to be in attendance. The document should also clearly define the processes and procedures for the Go-Live Support Model and the escalation procedures.

Yours sincerely



Shelley Oldham
Vice President