

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 48

Topic: Tax returns service standards

Hansard Page: 99-100

Senator Xenophon asked:

Senator XENOPHON: That is good. The ATO's own service standards for lodgments is to aim to process electronic returns for individuals and non-individuals within 14 days of receipt within the ATO and paper returns for individuals in 42 days and 56 days for non-individuals with paper returns. At paragraph 3.62 of the inspector-general's report, at page 35, he refers to the change program's steering committee minutes of 22 December 2009, which stated that:

... between January and June 2010 most returns would not be processed in less than 50 days and this situation is likely to continue in the second half of the calendar year. Industry benchmarks and experience from previous deployment(s) shows that fixing errors and design issues in production can cost up to 4-5 times more than fixing these errors in a testing environment ...

...

Senator XENOPHON: Basically, an internal document of 22 December said that for about five or six months you were not likely to process returns in less than 50 days.

Mr Butler: That was a view put forward by people to the steering committee.

Senator XENOPHON: So you are familiar with that?

Mr Butler: I have read this report a few times.

Senator XENOPHON: In terms of that view from the steering committee, was that communicated to tax agents and to the public?

Mr Butler: We told tax agents for a long time leading up to deployment that we would not be able to process any returns or any new returns received after the end of December for six weeks, when assessments switched off, and then it would take us some time to catch up. So that took us through the whole of January and the first part of February. We made it clear to the tax professionals that we would not start processing again until mid-February. What I believe—

Senator XENOPHON: That is a little different, though, Mr Butler, from the information that is contained in this internal document from the change program steering committee. You acknowledge that? It actually goes beyond that.

Mr Butler: Well, I was going to explain a bit more about that. Where I think we, with the benefit of hindsight, could have been clearer about the delays was that even once we started to process returns, it would take us many weeks to catch up. The view put to the committee was that the delays of 50 days would continue into the second half of the calendar year. It does not mean that the committee necessarily agrees with that particular view. I would have to go back and check more fully the minutes of that meeting.

Senator XENOPHON: Take that on notice.

Answer:

The Inspector-General of Taxation's Review into the ATO's Change Program report, quotes (at paragraph 3.62, page 35) from a submission considered by the ATO's Change Program Steering Committee meeting on 22 December 2009. The submission was titled *Business Readiness Assessment for Change Program Release 3 Income Tax*. The full paragraph quoted from page two of the submission states:

“Whilst we consider that we could manage the additional work from the workarounds of the magnitude and nature as outlined in Attachment 5 there would be still a substantial impact on our business outcomes. For instance under these circumstances we estimate that between January and June 2010 most returns would not be processed in less than 50 days and this situation is likely to continue into the second half of the calendar year. Industry benchmarks and experience from previous deployment(s) shows that fixing errors and design issues in production can cost up to 4-5 times more than fixing these errors in a testing environment.” (emphasis added)

The submission attachment referenced in the above paragraph was titled *Attachment 5: Estimated Impacts of 'Going Live' With Current System Defects*. The reference to returns processing in more than 50 days was an impact assessment commentary if deployment were to proceed with system defects known at that time (that is 22 December 2009).

The assessment at the Change Program Steering Committee meetings held on 14 January 2010 and 21 January 2010, leading up to the 'go-live' decision was different as the overall situation (including the number and nature of defects) altered significantly from the situation at 22 December 2009.

Key reports confirming this significant change were in 21 January 2010 correspondence from Accenture and both independent assurers – Aquitaine Consulting and Capgemini as well as our internal assessment. All of these documents were made available to the Inspector-General of Taxation during his review of the ATO's Change Program.