

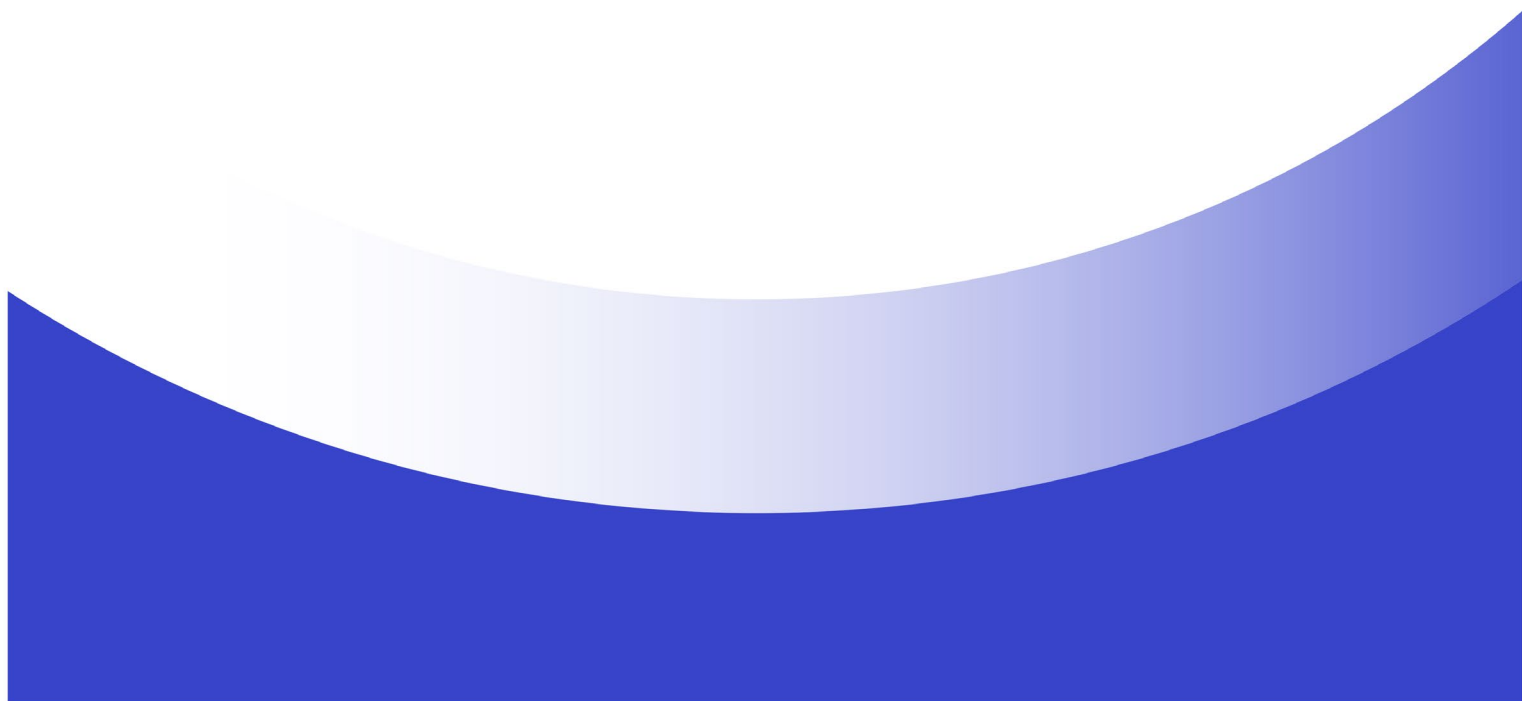


Australian Government
Australian Taxation Office

ATO Submission

Inquiry into the failed visa privatisation process and the implementation of other public sector IT procurements and projects

24 April 2024



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Introduction

1. The Australian Taxation Office (ATO) welcomes the opportunity to make a submission to the Joint Committee of Public Accounts and Audit's Inquiry into the failed visa privatisation process and the implementation of other public sector IT procurements and projects.
2. The terms of reference for this inquiry were updated in February 2024 to include lessons learned (sought via submissions) from key agencies (including the ATO) managing large IT systems.
3. The ATO has a proven track record of successful IT delivery. This submission outlines those key attributes that have proven to be fundamental to this success as well as key lessons the ATO has learned to inform continued successful IT delivery in the future.

Success factors

4. To inform this submission the ATO has reflected on our success in the digital and ICT landscape and identified common attributes. These are provided with descriptors below along with practical examples of their application.
 - a) **Lead with purpose** – the tone is set from the top and we have clear and shared understanding of objectives, scope and timing with the right resources, dedicated to the task.
 - b) **Clear and effective governance** – we have the right representatives engaged in purposeful steering committees with clear accountabilities and responsibilities.
 - c) **Plan the work and work the plan** – we have clear articulation of scope, we know what we need to do, and when we need to do it by to achieve the required outcomes.
 - d) **Robust delivery methodology** – our tried and tested frameworks guide how we design and deliver our program, including business and people readiness.
 - e) **Project performance** – effective project management practices are in place to track our performance and enact suitable risk, dependency and issue management. There's governance and assurance oversight with stage gates in place.
 - f) **Listen to learn** – we understand the needs of users, clients and industry and use that knowledge to design, build and deliver appropriate solutions.
 - g) **Understand and harness technology** – we actively identify opportunities to re-use existing platforms and software design patterns and engage with new technology when needed.

Lead with purpose

5. When the government announced the 2020 COVID-19 economic response measures, significant IT changes were needed to ensure the government's stimulus support (including JobKeeper, Early Release of Super and Cash Flow Boost) could quickly reach those who needed it.
6. The project team was given a very short timeframe to implement the measures. The project was critical and rapid delivery was required. A tailored governance pathway was developed to support all stimulus projects.
7. The scale of these multibillion-dollar measures was unprecedented and a strong partnership with Treasury was formed to align the law, system and administrative design with a common goal of expedient iterative delivery with shared understanding of risk. Senior executive across the ATO were fully engaged and supportive, with requested resources and involvement in leading the engagement with externals, across agencies and internally. Staff, business (i.e., digital service providers, payroll providers, employers) and the community were fully supportive of the measures.
8. The project was delivered within allocated budget for the second phase while the initial phase was absorbed within the ATO. Mandated milestones were delivered on time as were changes announced by Government. Scope was modified and extended by Government during the project with changes delivered on time. Risk and Issues were managed within tolerance.

Clear and effective governance

9. The ATO is a key contributor to the Digital ID system which was and continues to be a significant cross-agency collaboration. The ATO has built, operates and administers on behalf of Whole-of-Australian Government:
 - a. myGovID, the Government's Digital Identity Provider, and
 - b. Relationship Authorisation Manager (RAM) which allows representatives of a business to interact online using their myGovID.
10. For the ATO this program was critical to replace an aging and problematic business credential and an increasing serious threat of identity fraud.
11. Effective governance was critical to the ATO's success in both delivering myGovID and RAM (within the Digital ID system) and being able to mitigate serious ATO risk through having the right people connected across the ATO and other agencies.
12. Governance systems have changed and evolved across Government over the 7 years of the program. The ATO's success is due in part to establishing and maintaining effective governance with a Band 2 committee that has been in place since 2018 and has guided the program. Continuity of members who have a stake in the program and provide a diversity of views has played a key role in maintaining purpose of the program and being able to discover and mitigate risk.

13. In addition, the development of a holistic governance approach that ensured collaboration across the ATO with a Band 1 advisory group and various working groups as required was essential. This included a transparent communications approach with the ATO Executive and relevant Ministers which helped ensure the program was continuing to meet objectives and could respond to changing circumstance.
14. For example, in 2019 the ATO was able to determine that critical dependencies across Government would not be delivered in time and with the right features to enable the ATO to migrate all business users to the new solution before the problematic business credential expired on 30 March 2020. This would have serious consequences for the operation of the tax system.
15. A difficult decision was taken to build the dependency components within the ATO to manage our risk while still delivering for Government when other agencies were ready. This was successful and not only mitigated the risk but would end up being critical to the ATO's implementation of the stimulus support.
16. myGovID has been used by over 9 million people and RAM used by around 2 million businesses to access online services across 140 services across 50 government agencies.

Plan the work and work the plan

17. The Data Centre Program was a multi-year program that transformed the ATO to a real-time, data-driven business capability by providing modern, resilient, scalable, cost effective, hosting agnostic infrastructure and networks with clear accountability for driving the change.
18. Establishing 2 new data centre facilities, building new infrastructure, and migrating applications and services from legacy data centres, was a large and complex program, supported by a dedicated Program Management Office that provided advice, guidance and support to their constituent projects to progress governance, reporting and gating obligations and managing across the many projects involved.
19. The size and complexity of the program required collaboration across the entire technology ecosystem with more than 80 internal and external teams engaged to deliver the significant scope that had a high degree of technical complexity and aggressive delivery timelines. Ensuring ATO business was not impacted was a key focus and throughout the program lifecycle, detailed planning was undertaken to deliver critical outcomes with minimal impact on our service delivery.
20. The program had clear purpose and a collaborative, open approach meaning everyone worked together to ensure the outcome for ATO. The program was implementing very complex technical solutions that often required groups to come together to solve challenges while keeping stakeholders engaged and informed. Effective planning and clarity of mission meant that all contributors understood what was needed and when and were in full support.
21. The success of the program and its approach is best understood when noting some key statistics from the delivery with:
 - over 120 separate production application system deployments over 18 months,

- migration of more than 110 infrastructure services to the new data centres,
- over 10,000 system and infrastructure changes to enable build and migration,
- over 9,850 tests executed to validate infrastructure and application configuration and performance in the new data centre.

Robust delivery methodology

22. All projects that require some component of IT for their implementation must adhere to the ATO IT Delivery Method which encompasses 3 delivery methods approved for use at the ATO. These methods are:
 - a) ATO Scaled Agile – used for agile delivery, where there is a requirement to scale across teams
 - b) ATO Delivery Method – used for traditional waterfall delivery of Enterprise systems
 - c) BDA Delivery Method – used for small applications developed primarily by business units.
23. The Delivery Management Dashboard is a governance and assurance process defined in the IT Delivery Method. It is mandatory for all ATO ICT projects and releases and is used to track progress of critical items throughout the delivery cycle. An effective example in action is the Single Touch Payroll (STP) Program.
24. The STP Program integrated payroll data leveraged through the employer's natural business systems with ATO technology and processes; enabling the data to be used to not only meet the employer's reporting obligation but to benefit individuals, employers and other government agencies.
25. The scale, extensive breadth of stakeholders and complexity of STP required strict adherence to our delivery methodology, setting the execution framework and engagement model throughout the life of the Program. A critical focus was given to stakeholder and change management activities, ensuring readiness criteria was met across the community and within the ATO.
26. Stakeholder engagement throughout the lifecycle was high, driven through various committees and consultation forums, with co-chairs between the ATO and external agencies. The ATO worked closely with industry, including Digital Service Providers, member associations and tax professionals to build the business case, and understand how STP could be implemented and the benefits which could be realised at the time and into the future; this led to a vision that everyone embraced.
27. Due to the size and complexity of the program, and the need to quickly scale resourcing to achieve agile delivery outcomes, the ATO partnered with external expertise to support project management, solution planning, high level design, detailed design, release planning and build and to support the development of the cloud technologies that underpin cross agency data exchange. By implementing over multiple releases, the STP solution was refined over time, with learnings and feedback incorporated to support gradual, steady uptake of STP.

28. STP has changed the way over 800,000 employers report their tax and super obligations for over 14 million employees each year.

Project performance

29. Activity Statement Financial Processing (ASFP) delivered a single accounting system and a new debt case management system (Payments Receivables Management) which uses data and analytics in a predictive model to drive tailored and efficient staff and client experiences.
30. ASFP necessitated a significant migration and conversion of data which is inherently a high risk to any Programs. Multiple risk mitigation strategies were incorporated in the planning and methodically executed, including proof of concepts, trial runs, pilots and complete financial reconciliations. These activities were run repeatedly ahead of the final conversion ensuring we were ready and had fully understood and identified all risks and issues that needed to be addressed ahead of the final migration.
31. The ATO paused the program on several occasions over a number of years when it was identified it was not the right conditions to deliver. Learning from those attempts to get it right drove the successful outcome.
32. ASFP not only delivered on its original intended benefits but additionally served as a pivotal platform in ensuring the ATO supported the community during recent times of crisis.

Listen to learn

33. SuperStream established a standard that enables superannuation payments and data to be sent from employers to superannuation funds and between superannuation funds and the ATO in a standard electronic format. This makes superannuation contributions and rollovers quicker, easier and more efficient, reducing cost and administrative burden in the superannuation system. SuperStream is also used by the superannuation funds to support core superannuation processes, including rollovers, contributions and validation services.
34. The success of SuperStream was due to the collaboration and co-design. The ATO partnered extensively with the superannuation industry, peak bodies and digital service providers (DSPs) throughout the life of the program. The ATO established and was a member of a range of committees and working groups with the superannuation industry. This ensured the ATO had a thorough understanding to enable design and build of services that were fit for purpose and ensured an agreed and mutual understanding of how the new services would be used across industry.
35. An extended hyper care period was utilised to support gradual industry onboarding to the new services, and ensured issues identified were managed and communicated effectively and issues resolved with a full understanding of the impact to both industry and the ATO.
36. The SuperStream program was found to be an exemplar of how to work cooperatively with industry stakeholders, peak bodies and DSPs.

Understand and harness technology

37. Where possible the ATO looks for opportunities to build on existing assets, utilising experience and knowledge in the infrastructure, technology and approach. The ATO delivered our Online services for agents and Online services for business projects by leveraging existing IT solutions and implementing new technology. This included leveraging cloud-based infrastructure to provide scalable, resilient and secure services through a combination of cloud capabilities and investing in composite architecture so services could be offered via retail and wholesale channels. This approach supports the ATO's goal of reducing overall costs incurred whilst delivering a scalable and technologically advanced solution.
38. Applying the Digital Transformation Agency's service design and delivery process, the ATO consulted extensively throughout these 2 projects to iteratively co-design and test services via betas and external testing environments and ensure services fulfilled client expectations and met modern industry standards. Client feedback demonstrated that these projects successfully delivered digital services that have transformed the business experience to be more efficient and productive.
39. Each of the successful projects/programs outlined in this submission have benefited from the foundation information technology that the ATO delivered iteratively over time. Using the ATO response to the COVID-19 pandemic as an example, we built new services and supporting systems, applied integrity measures and provided guidance for multiple measures via our online services. STP and SuperStream also played a pivotal role supporting stimulus response, underpinned by our Standard Business Reporting platform. Our myGovID credential and RAM, enabled businesses and tax agents to adopt flexible or remote working arrangements.

Lessons learned

40. Reflecting on performance and capturing what worked and what did not is best practice for all projects regardless of size. The ATO continues to evolve and mature, learning from both the successes and challenges presented by the implementation of large, complex change.
41. All Programs in the ATO are required to complete an End of Program Report to confirm all benefits have been delivered, there is operational acceptance from business and to ensure plans are in place to realise the Program's intended value post-closure. Key lessons learned are also captured and documented in the final report. There may be additional external agency assurance requirements depending on the program scale and complexity.
42. The environment in which a project is operating has a material impact on the likelihood of its success. Digital and ICT transformations in government are often combined with other initiatives, including policy reform, legislative changes, business process re-engineering, and organisational realignment. The difficulty of effectively implementing a digital and ICT transformation project increases exponentially with each additional layer of complexity. External dependencies, competing organisational priorities, and overlapping change initiatives all degrade the ability of a

project to optimally align and sequence efforts. This adversely impacts project schedule and financial risk.

43. Digital and ICT transformation initiatives face a higher degree of uncertainty than other types of government investments. They are inherently knowledge-based, with the full scope of work often not evident at the start of the project, but instead revealed through a progressive process of discovery of scale.
44. The ATO learned valuable lessons from the Modernising Business Registers (MBR) program and will apply these learnings to benefit delivery of future large scale IT transformational change:
 - a) Proactive engagement via Program Governance with Government and Ministers early where risks to benefits, value, cost, timeframe or scope are increasing. A learning from MBR was that although program governance status reports and reviews indicated there were worsening risks and issues the program attempted to manage the issues internally utilising ATO governance. There would have been benefit in the program providing briefings to Government when the issues were first identified.
 - b) First and Second pass business cases need to contain a full and frank estimate of potential overall costs of the program, large numbers of simplifying assumptions that are based on activities outside of the control of the program should not be included, for example costings should not be based on a reliance on law simplification.
 - c) Where material assumptions are made in the first-pass business case they need to be captured and tracked as dependencies and revisited when developing the second-pass business case. Second pass business case assumptions become tracked critical dependencies for the program moving forward, with call outs and escalations occurring through the Program Governance where the assumptions do not hold.
 - d) Law impacts - In programs where there is a required legislative impact (whether aligning old law and/or multiple laws or developing new legislation) complete the law reform prior to the detailed design and build phases commencing. This will provide more certainty through design and reduce rework / operating at risk. A key learning from the MBR Program related to sequencing of law reform and IT delivery, in MBR a number of the assumptions around rationalisation of business processes and reduced collection of information and data were not realised.
 - e) Right people, right time - Have a workforce plan that includes location, capability, attraction, retention, and succession planning strategies. The ATO is very good at large programs but for extraordinarily larger programs it is key to have specialised personnel who have experience at delivering at the scale. Consider secondment of subject matter experts into the delivery agency for cross agency programs to ensure full access to expertise.
 - f) Have a clear program intent and don't lose sight - Align everything back to the clear intent. Clearly identify key decision points, stages and off ramps upfront. In multiyear programs where the environment can change, keep revisiting intent.

Conclusion

45. The ATO is available to respond to any questions the Committee may have and will attend a hearing as required.
46. The ATO looks forward to the outcomes of this inquiry.