

# The Australian Taxation Office's Implementation of the Change Program: a strategic overview

## Audit Report No. 08 2009-10

Opening Statement by Steve Chapman, Deputy Auditor-General for the

JCPAA Review 11 March 2010

1. Thank you Chair. The audit's main objective was to provide a strategic review on the progress of the Tax Office's implementation of the Change Program.
2. The Tax Office's Change Program aims to replace all tax processing ICT systems and a range of supporting administrative systems with one Integrated Core Processing (ICP) ICT system. Through the Change Program the Tax Office intended to transform its operations by developing a significantly more cost-effective and integrated system of tax administration. It involves planning and staged implementation which began in 2002 and is continuing.
3. The audit's scope included an examination of the planning for, and governance of, the Change Program, implementation issues associated with the three core "releases" of the Program, and funding of the Program, including measurement and attribution of costs and benefits to date.
4. The ANAO considered how international experience for similar sized public sector Information and Communications Technology (ICT) projects may have highlighted key risk areas for consideration. The ANAO also assessed a range of considerations that have arisen from the Change Program which may be relevant to other Australian Public Service ICT projects.
5. Release 3 of the Change Program is the largest and most complex of the implementation stages. Its timetable was, in hindsight, ambitious, and this was

exacerbated by insufficient involvement of end users in the development and testing of the Fringe Benefits Tax (FBT) functionality, the first module of Release 3 to be implemented. The ANAO found that the Tax Office did not carry out testing and assurance processes in accordance with its own standards. Nevertheless, the FBT release has provided a ‘proof of concept’ test for the Integrated Core Processing system that underpins Release 3. In addition, the FBT release demonstrated the potential for reducing inefficiencies inherent in the Tax Office’s legacy systems.

6. Due primarily to legislative changes, the expanded Change Program is now scheduled to take at least two and a half more years to complete than was expected in the original business case. The direct and indirect costs associated with maintaining the legacy systems which the delayed Change Program is to replace, resulting processing ‘work arounds’, opportunity costs, and deferral of benefits, will result in increasing financial pressures on the Tax Office. The majority of the Change Program has been internally funded by the Tax Office, and its delay means that the Tax Office will need to absorb an additional estimated expenditure of \$247 million.
7. The Tax Office still faces significant challenges in finalising the Change Program. There is a significant risk that remaining deadlines may be put under further pressure or that originally intended or key operational functionality may be reduced to meet budget and timetable expectations. To avoid a repeat of previous implementation delays the Tax Office will need to more closely monitor significant risks, their mitigation strategies, and the quality standards required of contractors. This includes following sound project management practices during the design, development and assurance stages of future releases, and more rigorous end-to-end testing and piloting of systems with actual production data.

8. The ANAO made four recommendations, agreed to by the Tax Office, aimed at strengthening the Tax Office's assurance framework for future releases of the Change Program and better understanding their costs and benefits. These included stronger end-to-end system testing; contract amendments that would clarify high level governance arrangements; capitalising on enhanced performance measurement afforded by the new systems; and additional internal reporting on progress, costs and benefits of the Change Program.
9. Finally, I have with me today Mr David Crossley, Executive Director, who had oversight responsibility for this audit.