

**Briefing for CEO – Meeting with T2 Board Chair  
19 April 2012  
Warning Letter and Issuance of a Material Breach**

**Key messages for the CEO**

**Andrew Banks (Chairman of the Talent2 Board) and MarySue Rogers (T2 Payroll guru) are meeting you for the following reasons**

- a) To update you face-to-face about their Board's reaction to the warning letter they received on the 5<sup>th</sup> April
- b) To convince you not to issue a material breach
- c) To highlight to you the high degree of media publicity this will generate
- c) To discuss with you T2s concerns that the Ministry is being overly pedantic about the state of the project.

**In response to this, you may wish to make the following observations:**

a) You signal your disappointment that the SIT milestone has **still not been met** as contractually agreed. It is now 4 months late and is having a serious impact on the do-ability of the project as key tasks and phases are having to be concertinaed to fit the go-live date.

b) That as a government organisation, we have an obligation to use the commercial levers in the contract to ensure vendor performance; given no other mechanism to date has been able to address the slippage.

c) That following extensive analysis of defects and test scripts last weekend both parties have agreed that the SIT Milestone cannot be met on time (ie by Wed 18<sup>th</sup> April).

The Novopay Board is working out what the next steps will be and Leanne Gibson will be presenting these recommendations to you after the session with Andrew.

Talent2 have put a proposal to the Ministry as of the 17th April for consideration by the Novopay subcommittee meeting.

The Ministry has considered its options and these are outlined below:

1. Our preferred option is to start the material breach process with remediation as its objective (but use it as an exit strategy if needed). The analysis undertaken in the weekend confirmed that T2 continues to make solid progress with the Novopay platform but that they have effectively run out of time to fix the required defects and meet the quality assurance criteria required to move into a testing phase. The Ministry is in no doubt that these faults could be remedied within 15 working days but in doing so, the End-to-End testing phases are seriously compromised. In practical terms, it is highly unlikely (but still possible) that T2 could deliver the SIT milestone and exit both cycles of End-2-End testing and complete all other items required for Confidence Two by the 30th May. It would be negligent of the Ministry to allow a further time extension of the SIT milestone given it is now 4 months late.

2. Another option we considered was to investigate utilizing the best portions of the Talent2 and Datacom business continuity proposal to deliver a Novo-Datapay solution (eg Talent2 service centre, Datacom pay centres, Alesco product, IAAS). Those this sounds promising, both organizations have independently stated that they would not work with each other as business partners. Experience states that unless the Ministry acts as the lead integrator (which is a very hard role) then this solution is highly likely to fail.
3. The final option we considered was promoting a joint exit from the project. Talent2 do not wish to have a material breach issued for commercial and reputational reasons. It may be therefore be possible for a deal to be brokered with Talent2 to recoup costs in exchange for the issuing of a joint statement about the complexities encountered. We believe this option would not be palatable to T2 or to the Minister.

Note: Do not get involved in any discussion about the number of defects or test scripts outstanding. This is constantly in dispute.

We feel that the Ministry can cope with media interest as our key message is that we are focused on assisting T2 remediate the SIT milestone. Please see attached Comms plan.