

Health Payroll System Commission of Inquiry

STATEMENT OF JAMES BROWN

I, **JAMES DONALDSON BROWN** of LEVEL 6, 61 Mary Street Brisbane QLD 4000 state as follows:-

BACKGROUND

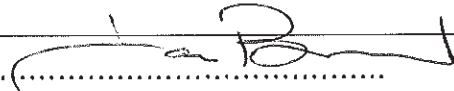
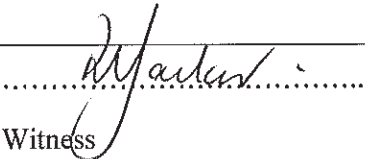
- 1 I joined CorpTech on 7 June 2008.

- 2 Immediately before then, I worked in the New South Wales Department of Education and Training (between about 2006 and 2008). Before then, I worked in the Queensland Government in the then Department of Education, Training and the Arts in the years about 2002 to 2006.

- 3 I worked as Chief Information Officer at the Brisbane City Council between about 1996 and late 2001.

- 4 I do not hold any formal tertiary qualifications but I have been involved in IT since leaving school in 1971. My roles over the last 10 to 15 years have tended to be management roles more than technical ones.

- 5 Initially, my role in CorpTech was "Program Director" in the Program Delivery Directorate. I reported to the General Manager, CorpTech, who was Barbara Perrott and then Margaret Berenyi from 2009. The functions of that role were primarily to be responsible for the roll-out of the program of work by IBM across Government for HR and Finance. I also had accountability for the Solution Design Authority whose

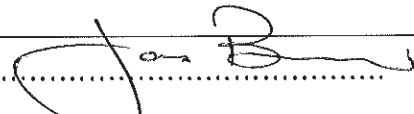
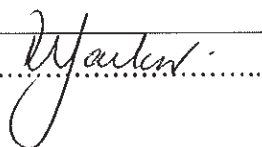
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principal purpose was, to ensure the IBM solution conformed to the Government's preferred direction for it.

- 6 In about February or March 2009 my role expanded to include the Strategic Program Office. That involved adding to my role a largely contract management function. I held that role until mid-2011 when CorpTech merged with the former Shared Services Agency, giving rise to Queensland Shared Services. At that time, my role slightly changed again and I took on additional accountability for some application implementation development support functions in addition to the roles I have described above.
- 7 In late 2011/early 2012 I also took on the former CorpTech's Technical Operations function, but that excluded operations for Queensland Health.

INVOLVEMENT WITH THE CONTRACT

- 8 When I started in CorpTech, the contract dated 5 December 2007 was already established. So too were the vast majority of the Statements of Work except perhaps two, three or four of them. The contract was therefore already defined and was well in flight.
- 9 To my knowledge, the Queensland Health part of the Contract started in about December 2007 through Statements of Works 7 and 8A and then 8 in about January 2008.
- 10 There was also a series of lead-up events roughly between July 2008 and November 2008 to further define costs and timeframes for the work to be undertaken by IBM as part of the contract for the rollout of human resource and finance for all remaining Departments.

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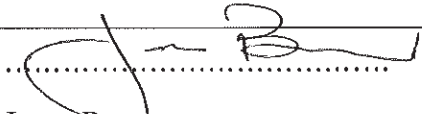
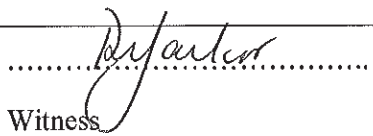
11 The outcomes from this work proposed a significant increase in IBM and CorpTech's costs to that originally tendered by IBM. In late 2008 early 2009 at the request of the Director-General-Public Works I worked closely with Ms Robyn Turbit who was the Assistant Director-General. The discussions were about how fast we were burning money and the options around how we might proceed with the Contract.

12 This resulted in reducing the amount of work to be undertaken by IBM under the contract from early 2009. That ultimately was a CBRC or Cabinet decision to re-scope (late 2009), but in the meantime, many of the Statements of Works which had been put in place had been completed. The main focus of IBM was then the delivery of the Queensland Health payroll system.

BOARDS

13 I participated in the Executive Steering Committee of which Ms Barbara Perrott was Chair, although I was not a member of this Board. As part of my accountabilities as "Program Director" I was responsible for the Change Advisory Board (CAB). My role would ordinarily have involved me acting as Chair for that committee, but I continued with the arrangement by which David Ekert and then Brett Matthews, continued to chair that body based on their knowledge of the contract and of the Government specification that gave rise to it in the first place. The role of that body was to process any proposed change by IBM and assess it against the Government specifications. I say more below about what comprised the "Government specifications".

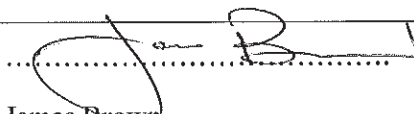
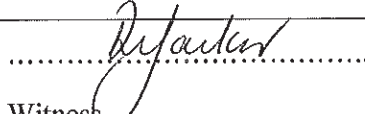
14 I also delegated staff to represent the Solution Design Authority on what was called the Release Boards and on the project committees in both Queensland Health and the then Department of Education, Training and the Arts.

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15 Queensland Health had established governance arrangements to manage its part of the Scope of Works under the contract as did the former Department of Education, Training and the Arts. When I referred above to the "Government specifications", I was meaning something different from the Scope of Works. Scope of Works did not only contain specifications but they also contained broader matters including time frames and defining deliverables in a contractual sense.

16 I have been asked whether the business requirements were properly defined for the Queensland Health Payroll Contract. The Government specifications which existed were at a particular level. That level of specification did not give the technical precision from which a payroll system could be built. Those specifications needed greater precision. I believe that was one of the purposes of Statement of Works 8/8A. It is my belief that IBM, under Statement of Work 8 had the responsibility to define Queensland Health's business requirement in sufficient detail from which a payroll system could be built and implemented. In my view, the business requirements were inadequately defined. It is also my understanding that the Government's specifications were not appended to the contract.

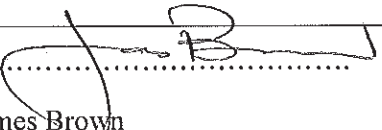
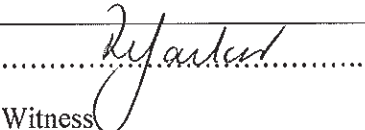
17 The documents which contained the Government specifications were a series of process diagrams about how the work was to be performed. They had various levels of precision. Some were at the highest level – Level 0 and some were right down to the task to be performed at a very low level. They were the representation of the work to be undertaken. As a consequence not all tasks in the process would be suitable to build into a payroll or finance system, with some functions being better undertaken outside of the system to be built and implemented. Therefore there was never really any intention to systematise the entire process because some parts of process may not lend

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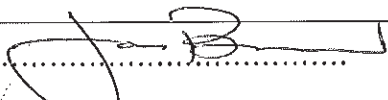

themselves to be included in a payroll or finance system. The process maps while representing how work was to be performed were not a complete specification from which a payroll or finance system could be built and delivered.

CHANGE REQUESTS

- 18 When a request for change was presented, it had to be assessed against the Government process specification to determine whether it conformed or deviated from that specification. ~~That comparison was done at the Change Advisory Board level.~~ From my recollection the Change Advisory Board has representatives from Queensland Health and the then Department of Education Training and the Arts. The Change Advisory Board would, after its deliberations, would either recommend the change be processed or rejected. I would then endorse the Change Advisory Board's recommendation(s). Change requests may or may not have a financial or contract implication. This would then give rise to formal change request being raised by IBM through the Strategic Procurement Office where it would be assessed for financial and contract implications. Depending on the dollar value, I might have approved it. I had financial delegation only up to a certain level. All raised Change Requests were tabled at the Executive Steering Committee, chaired by Ms Barbara Perrott for either endorsement and/or approval. Before a matter got to the Change Advisory Board, there would have been a conversation at the respective project team level.
- 19 I have been asked whether Queensland Health ever expressed concerns that its voice was not being properly heard in this process. All I can say to that is that Queensland Health was represented and would have had an opportunity to express its position. I do not know of any concerns voiced by Queensland Health to this effect.

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- 20 During the life of the project, I became aware of dissatisfaction on the part of Queensland Health with respect to the performance of IBM in delivering the replacement payroll system over the life of the project.
- 21 This dissatisfaction related to, but was not limited to, ongoing missed deadlines by IBM, disputes with IBM as to whether work to fix particular problems constituted ~~remedy of defects or new requirements, the quality of the system provided for the~~ multiple User Acceptance Tests and the increasing costs of the payroll system. Although I can not recall those matters being raised with me I was also aware of a Queensland Health view in certain quarters that it felt that it would be better served if it had total control of the project, including management of the contract with IBM.
- 22 With out diminishing from the importance of these issues, from my perspective the matters raised by Queensland Health were as a consequent, in part, of the high level nature of the specifications as well as the significant complexity in the Queensland Health industrial awards. It is my belief that all parties underestimated the complexity and time required to take Queensland Health's industrial awards and translate them successfully into a payroll system. I believe that the Auditor General's report to parliament identified similar issues.
- 23 It is also my understanding that there was also significant business pressure within Queensland Health to have the replacement system implemented as soon as possible to cater for the processing of the Enterprise Bargaining Agreement as the existing payroll system could not process the back pay which would result in it having to be calculated manually and then processed for all affected employees. There was concern within Queensland Health as to whether it was able to manually process the back pays without the new system.

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CHANGE REQUEST 60

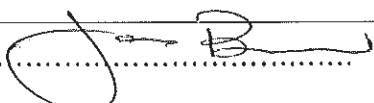
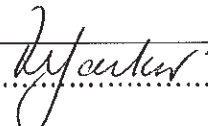
24 I have been shown a document which is change request 60. That request was made before I joined CorpTech, but I do have some knowledge of it through Mr Tony Price and Mr John Beeston. That change request concerns the financial interface for the Queensland Health Payroll. The original intent as proposed by IBM was to use the existing financial interface, however the level of detail delivered from the interface was ~~not at a sufficient level of detail or breakdown to meet QH's current and future business~~ needs. My understanding was that the requirement for that kind of transactional detail was required by Queensland Health.

25 I have been asked whether it is unusual to have the number of change requests which occurred here. You would expect some degree of change requests in a contract of this size. Not all affected the time and money applicable under the contract, but a lot did.

26 I have been asked about IBM undertaking work as part of Scope of Works 7 and 8A to ascertain for itself to some extent at least, the work to be undertaken to replace Queensland Health's Lattice payroll. In my opinion, one would expect that IBM had the opportunity to look at what had to be done and that it would know what it had to do, but from a contractual perspective, it is my understanding that the Government's requirements were not appended to the contract making the enforcement of the Government's requirements problematic.

PROBLEMS WITH CONTRACTUAL MANAGEMENT

27 I kept in contact on a regular basis with Mr Beeston. He was head of the Strategic Program Office. He reported directly to Barbara Perrott. He had a team of people who worked for him. We kept in close contact. He did express concerns to me from time-to-time regarding IBM's performance of the contract. He raised with Barbara Perrott these problems. I cannot recall if I was in that meeting, but we did meet regularly and

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he told me that he had had these conversations with Barbara Perrott. This was during 2008 and 2009 and involved the performance of IBM and the actions to be taken to by State.

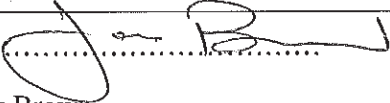

28 I have been asked whether in 2009, anyone suggested to me that more decisive action should be taken against IBM. It is highly probable that I had several conversations with ~~Mr Beeston regarding contract management and the particular challenges he might have~~ been facing in program deliverables. I cannot remember any specific brief in 2009 about urging that more decisive action be taken against IBM. There were, however, a number of contractual matters which I discussed with senior management.

29 It was put to me that Mr Malcolm Campbell had raised IBM contract matters with me directly in 2008, specifically relating to the issuance of a Contract Breach Notice and that my response to him was that it would be "Volcanic".

30 I can not recall having met with Mr Campbell in the timeframe referenced to discuss the issuing of a Contract Breach Notice. Further Mr Campbell was not a direct report to me at that time nor did the Strategic Program Office, of which Mr Campbell was a part, report to me.

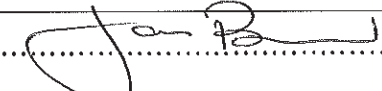

31 Mr Malcolm Campbell did not work under me directly until 2009 in the Strategic Program Office until after Mr John Beeston departed. Mr Beeston left CorpTech in January or February 2009 or maybe later. Following the departure of Mr Beeston, Mr Malcolm Campbell took over his role and reported to me.

32 There were always conversations in the Strategic Program Management Office about taking action against IBM. The talk was general and I cannot recall specifics. It would

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have been discussed with the General Manager of CorpTech or the Director-General of the Department of Public Works.

- 33 I attended meetings with Mr Mal Grierson and later with Natalie McDonald on a number of IBM matters but not all such meetings. Several occurred over 2009/2010. One problem I face is that because CorpTech had moved email systems, my diary is no longer accessible, nor can it be retrieved. This situation exists for all CorpTech staff and is a technical ICT issue. I do not have the records available to me to show what meetings I attended.
- 34 I have been asked about how many meetings there would have been. I would have been surprised if it was less than 10-15, but it may have been as many as 30.
- 35 I have been asked what matters were discussed at the meeting. In a general sense, it was discussed how to proceed with the IBM contract and how to deal with the rest of the Government roll-out of HR and Finance. There would be a briefing note on file. They are a necessary part of preparing for a meeting with the Director-General. There may also be CBRC papers, given that preparing one is part also of that process.
- 36 I have been asked whether in early 2009 I was presented with a briefing note raising concerns about IBM's performance under the Contract and the State's management of it and prevented it going up. I can not recall either having the conversation with Mr Campbell nor can I recall ever seeing the briefing note prepared by him in question. I would not have prevented a briefing note going further which contained matters of substance.
- 37 I have been shown Crown Law Advice dated 23 June 2010 addressed to me. I do remember seeking that advice. I also remember seeking advice from Mr John Swinson

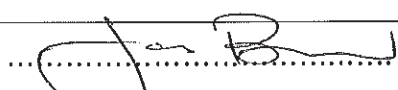
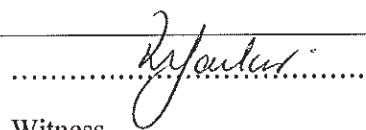
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of Mallesons regarding contractual options. I also recall that this advice was attached to a Cabinet Budget Review Committee paper seeking guidance on how to proceed with the IBM contract for the delivery of the Queensland Health payroll.

- 38 I have been shown Minutes of a QHIC Project Directorate Meeting of 12 January 2010. This entry is about including rather than excluding matters in Mr Burns' report. I recall that in addition to his quality assessment, Terry Burns also needed to provide an assurance on go live deliverables. He was therefore required to add to his report. I think that Terry Burns, as a result of this, added to the report but I cannot recall specifically.

SEVERITY OF DEFECTS

- 39 I have been asked whether, before go-live in March 2010, the severity of defects was redefined so as to make major defects not impede the go live.
- 40 The classification of defects was a Queensland Health responsibility and part of that process would require Queensland Health to inform IBM. IBM may have had a view contrary to that of the proposed classification. The process, if those discussions were not resolved, would have been to escalate it to senior management. I cannot recall being involved in any decision to redefine the severity of defects.
- 41 I have been asked if it is unusual to redefine the severity of defects down in this manner. It may not be unusual. It depends on the nature of the defect. If the defect was raised by individuals undertaking testing, then its redefinition, by someone with greater authority, could be valid.
- 42 I have been asked whether it would be proper to re-classify major defects in this way. I do recall a number of defects that had work-arounds in place for severity 2 defects, but

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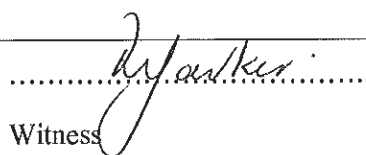
all instances either had a viable workaround in place as agreed to by Queensland Health, or if there was no viable workaround, then the defect would have been fixed. I do also recall that there existed defect management plans. From my recollection there were around 50 workarounds in place when the system went live, which was less than that for the system which it replaced.

~~43 I can recall attending a number of QHIC Project Board meetings around mid 2009 in which the number of Severity 2 defects were discussed.~~

44 My recollection is that IBM raised concerns of the way defects were being classified arising from the User Acceptance Test processing and cited a number of defects which it believed were not appropriately classified. A significant number of these defects related to the financial interface developed by IBM.

45 I recall that it was agreed that Queensland Health would undertake a review of the defects and their classification. I can not recall being a party to the review of the defects in question, but it is unlikely as I would have no knowledge of the business impact each error would have. Queensland Health would be in a far better position to undertake this assessment.

46 I also recall at a subsequent Project Board meeting this review being discussed and Queensland Health indicating that it had only reclassified a few down from Severity 2 to Severity 3. I can not recall the exact number. I also recall that no defects affecting pay or pay calculations were reclassified downwards.

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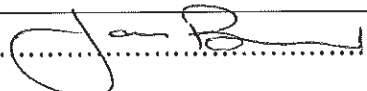

- 47 At other Project Board meeting the number of defects arising from the financial interface was also discussed. IBM raised concerns that the volume of defects and the time taken to rectify would mean the implementation date could not be achieved.
- 48 My recollection is that my advice to the General Manager CorpTech was that as IBM had admitted that the development of the financial interface was undertaken in such a ~~short timeframe and was not up to its usual quality standards that it had to fix all the~~ defects in question without further cost or time extension.

USER ACCEPTANCE TESTING (UAT)

- 49 I was not involved in this testing.
- 50 I was asked whether I had received a copy of a K J Ross report into testing in 2010. I can not recall receiving a copy of this report. I may, however have had access to an unofficial copy in CorpTech, but I can not recall. I also recall reluctance by Queensland Health to provide IBM with a copy of the report. I do not recall whether IBM ever received a copy of this report.
- 51 During User Acceptance testing between 2009 and 2010 I did receive a summary of the testing progress provided by the testing team. A number of people both in Queensland Health and CorpTech also received these summary reports. These reports were provided to the General Manager CorpTech and the Associate Director-General Department of Public Works.

GO LIVE

- 52 The Queensland Health Project Board made the decision to go live. I chaired a Group Project Directorate which reported to the QHIC Project Board. It provided a way to provide information to the QHIC Board. None of this prevented Terry Burns or Tony

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Price making direct reports to the QHIC Board, particularly on matters of relating to their accountabilities.

SETTLEMENT

53 I was involved in the decision to settle as the reference to my name on the Crown Law Advice shows. My role was to assess the advice and present options. I have been asked whether the settlement was reasonable. It was a matter of what could be negotiated with IBM at the time.

CONTRACT MANAGEMENT

54 It has been suggested to me that I may have intervened to prevent the issue to IBM of a contract breach notice. In particular, it has been suggested to me that I may have intervened to prevent senior people from being briefed on the question of whether a breach notice should be issued to IBM.

55 I do not recall acting in such a manner. I do not recall having any conversations with Chris Bird or Malcolm Campbell about the topic in later 2008 or early 2009.


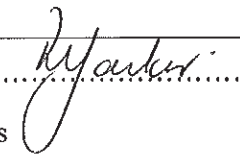
56 The issuing of a Contract Breach Notice is a serious matter and from my perspective requires a number of steps to be followed and appropriate information assembled. Before providing a considered recommendation on whether to issue a Contract Breach Notice, I would expect the following processes to be followed and information provided by staff in the Strategic Procurement Office:

56.1 documentation of meetings with IBM in which specific issues related to non-delivery were discussed and actions assigned

56.2 formal correspondence to IBM documenting these concerns and actions and timeframes by which they were to be rectified

56.3 formal responses from IBM on the matters raised

56.4 were necessary, legal opinion

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57 Put more shortly, informal efforts to resolve the issues with IBM would have to be exhausted, then escalation and involvement of senior management. I do not recall having discussed issue of such a notice. I do not recall the kinds of steps I have outlined above being undertaken as a precursor to issue of such a notice.

58 My role, by the nature of the reporting relationships and accountabilities, required me ~~to take a more of a strategic view of the overall engagement with IBM for the delivery~~ of the Queensland Health payroll project. Acquitting my accountabilities necessitated me taking into consideration a wide range of information sources and factors rather than a view just solely focussed on a single element such as the operational administration of the IBM contract.

59 These other information sources and factors included

59.1 the risk of failure of the existing Queensland Health payroll system,

59.2 significant concerns raised by Queensland Health on the need to replace the existing systems as a matter of urgency as a consequence of the

59.2.1 stability and supportability of their existing payroll system,

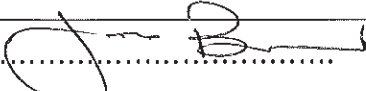
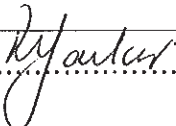
59.2.2 size and cost of running its payroll processing operations

59.2.3 large number of manual workarounds due to deficiencies in the existing payroll system

59.2.4 significant risk in not being able to process up coming EBAs for staff

59.2.5 lack of appropriate controls and audit trails

60 In addition, during the early part of 2009 I recall attending meetings with IBM (Bill Doak) in which other CorpTech Senior Officers were present (including Margaret Berenyi), where IBM raised on a number of occasions the following matters:

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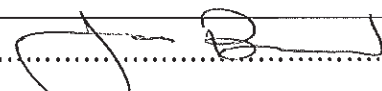
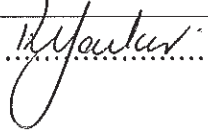
60.1 the continuous change in scope and requirements by Queensland Health with resultant impacts on time and cost to IBM

60.2 complex governance within Queensland Health and its decision making processes leading to delays and costs to IBM

61 These issues were seen as IBM's way, valid or otherwise, of justifying extensions of time and seeking additional funds to complete the Queensland Health payroll. As well as trying to justify its position, IBM's representative, Bill Doak, during several meetings also indicated that Senior IBM Management (above Bill Doak) would consider "closing down the project and walking away" should the State not act reasonably in addressing IBM's view of increase scope and therefore increased costs and time. These same issues, on occasion, were also raised at Queensland Health governance meetings by IBM.

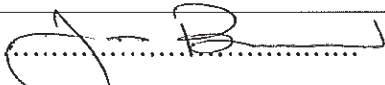
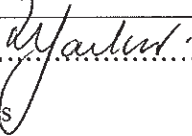
62 In dealing contractually with IBM, my understanding of the way the contract was constructed required, as a first step, a Notice to Remedy being issued defining the actions to be taken by IBM and a timeframe in which to respond, then a Notice to Show Cause. At any time either party could seek resolution through the mediation clauses contained in the contract, with the outcomes being non-binding.

63 Given the contract process outlined above, to get to the point of being in a position to issue a Contract Breach Notice could take a number of months, even more should either party elect to invoke mediation. To immediately propose to invoke a contract process such as the issuing of a Contract Breach Notice could run the real risk of significantly delaying the delivery of the Queensland Health payroll by having key resources tied up on contractual and legal matters.

 James Brown Witness 
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64 Further, the recommendation or decision to proceed to the point where a Contract Breach Notice can be issued can not be taken in isolation of other factors such as the strategic imperative to replace the Queensland Health payroll, the risks to both Queensland Health and the Government of a payroll failure, and the inability to process EBAs for Queensland Health staff without completion of the new system. All factors, including contract matters, must be considered, reasoned and resolved before a particular course of action can be pursued.

65 I attempted at all times to act in the best interests of the Government in all my dealings with IBM. I believe that I was focused on the shared outcome of delivering a working payroll system for Queensland Health. Decisions and or recommendations were made within the prevailing environment, the information that was available at the time and an assessment of the risks and consequences at that time. I have attached a small number of emails demonstrating advice and recommendations on dealing with IBM on particular matters.

 James Brown	 Witness
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