



## SPARK AND CANNON

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THE HONOURABLE RICHARD CHESTERMAN AO RFD QC, Commissioner

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IN THE MATTER OF THE COMMISSIONS INQUIRY ACT 1950

COMMISSIONS OF INQUIRY ORDER (No. 1) 2012

QUEENSLAND HEALTH PAYROLL SYSTEM COMMISSION OF INQUIRY

BRISBANE

..DATE 7/05/2013

Continued from 6/05/13

DAY 27

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THE COMMISSION COMMENCED AT 10.04 AM

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COMMISSIONER: Ms Downes?

MS DOWNES: Good morning, your Honour; Downes SC, appearing for Margaret Berenyi, Mr Commissioner.

COMMISSIONER: Yes, thank you. Yes, Mr Flanagan?

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MR FLANAGAN: I call Christopher Roy Prebble.

**PREBBLE, CHRISTOPHER ROY** affirmed:

MR FLANAGAN: Thank you. Is your full name Christopher Roy Prebble?---That's correct.

Mr Prebble, have you provided a statement to the inquiry of 95 paragraphs dated 1 May 2013?---Yes, I have.

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Would you look at this document, please? Is that the statement you've signed?---Yes, it is.

Are the contents of that statement true and correct to the best of your knowledge and belief?---Yes, they are.

I tender that statement, thank you.

COMMISSIONER: Yes. Mr Prebble's statement is exhibit 110.

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ADMITTED AND MARKED: "EXHIBIT 110"

MR FLANAGAN: Mr Commissioner, you've already been provided with four volumes of annexures to Mr Prebble's statement.

COMMISSIONER: Yes.

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MR FLANAGAN: Can I just explain one thing?

COMMISSIONER: Yes.

MR FLANAGAN: No, it's fine.

Mr Prebble, from December 2007 to July 2008, you were contracted by IBM to be the project director for the QHIC project?---That's correct.

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That was a project in relation to the interim solution for the replacement of the LATTICE payroll system?---Yes.

Were you at all involved in the tender process by IBM? 1  
---Yes, I was. I was involved in preparing some of the sections, doing some of the background work, some of the drafting, some of the resource estimates.

So you were generally aware of the response by IBM to the ITO?---In broad terms, yes.

In broad terms? All right. When you say you were contracted to IBM, did you have your own consultancy firm? 10  
---With one person in it, being me, yes.

All right, thank you. How long had you been contracted to IBM prior to December 2007?---Approximately three to four months.

When did contract finish?---Around about August, September 2008.

If we can get this out of the way now, you ceased to be project director of the QHIC project in or about July 2008? 20  
---That's correct.

But you stayed on for August and September 2008 in what role or what capacity?---Just to provide some handover and continuity about the detail and so forth.

All right. May I take you to paragraph 7 of your statement then? In paragraph 7 you refer to a minimal solution. Do you see that?---Yes. 30

That performed the basic functions in respect to the interim solution for the Queensland Health payroll. Would you explain to the commission what your understanding was of the minimal solution that performed the basic function? ---My understanding was there was a range of issues with the current LATTICE system, primary amongst them being the inability to retro pay, support the enterprise bargaining agreement process that was under way and the system wouldn't be supported after a particular point in time by the primary vendor. 40

Did that fact of the system not being supported after, I think, July 2008 create a time limit in relation to the interim solution being implemented?---Yes, it certainly was a pertinent fact.

Whilst you were there in your role as QHIC project director, you also played a role in relation to the whole of government solution that was also being scoped and rolled out by IBM pursuant to the contract of 5 December 2007?---No. I would say that I had a peripheral role in that I was leveraging some of the services from the whole of government program. 50

Sorry. Could you just say that again?---It was a peripheral role. The QHIC project was leveraging some of the services and deliverables from the whole of government program.

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Can you just explain to the commission how this worked. There needed to be scoping done by IBM in relation to the whole of government solution for a number of government departments. Yes?---Sure.

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That included, of course, Queensland Health, which were ultimately to get the whole of government solution. Yes? ---That's right.

Under statements of work 4, it was necessary to do scoping, both in relation to the whole of government solution for Queensland Health as well as the interim solution. Yes? ---The statement of work 4 was about the whole of government solution, as I recall it.

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Yes. Just trying to find out your knowledge, to your knowledge the workshops that were conducted in December and January - December 2007 and January 2008 for Queensland Health were in fact conducted in tandem, that is, they were workshops for the whole of government solution and workshops for the interim solution. That's correct, isn't it?---There may have been. I was more involved in the interim solution workshops. There may have been other workshops being conducted at the same time. I don't recall.

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Did you ever attend workshops that were conducted for the whole of government solution for Queensland Health?---I may have, but again, I don't recall attending any of them.

Were you as QHIC project director responsible for the facilitators of those workshops that were conducted in December and January 2007 and - - - ?---For QHIC, yes; for whole of government, no.

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Who was responsible for the whole of government workshops? ---I don't know if I actually recall.

But you agree with this proposition that the whole of government workshops for the Queensland Health solution and the workshops for the interim solution were conducted in tandem?---I don't recall that, no. I recall the QHIC workshops. I have very little recollection of the whole of government workshops.

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In paragraph 8 you refer to the Ascendant project methodology which is an IBM patented or internal methodology that was adapted. Correct?---That's right.

Can you tell the commission how it was adapted?---It was a different type of project. Typically with a project implementation methodology you retain the bits that are relevant and add value to the project and you discard the ones that clearly aren't going to do that to optimise the project life cycle. 1

So give us specifics of how this particular methodology was adapted for the QHIC project?---Some of the detailed requirements gathering that would have been relevant in a greenfield implementation weren't undertaken as there was a base which was the Department of Housing payroll system that we were building on, so the process was more around identifying the deltas between that system and Queensland Health's requirements as they explained them. 10

The Queensland Housing Department, that was a project that was built and implemented by CorpTech in conjunction with Accenture and Logica. Is that correct?---That's correct. 20

That used SAP as the awards interpreter. Yes?---That's correct.

For the purposes of looking at IBM's role and, indeed, your role as project director for the QHIC project, did you familiarise yourself with what had happened at Queensland Housing?---We had some information on what had happened. We had some documentation. We had a list of defects and we had a lot of, I guess you would call it process documentation that we used to lead Queensland Health through what was in the system and what it would and would not do. 30

But you would have appreciated that the Queensland Housing solution only involved very limited awards. Yes? ---Correct.

It's certainly not the type of or number of awards that one had to implement in relation to Queensland Health?---That's correct. 40

To your knowledge there were some 2400, approximately 2400, permutations and combinations of awards in relation to Queensland Health. Yes?---I remember there being about 180 awards. I can't remember the exact number of permutations.

In relation to Queensland Housing, it was something in the order of four awards. Yes?---That would be right. Yes, I recall something like that. 50

As I have said to you before, Queensland Housing used SAP as the awards interpreter. Yes?---That's right.

It did not use Workbrain as the awards interpreter, did it? 1  
---No, it did not.

What else didn't Queensland Housing (sic) in terms of was there any need for Workbrain - was Workbrain used at all in Queensland Housing?---As I recall it, Workbrain had previously been ear marked for use as a rostering tool and the Department of Housing, as I recall it, was not a rostering agency. 10

So Workbrain wasn't even used in the Department of Housing, was it?---Not as I recall.

In that sense, there was no need for Workbrain to integrate with SAP, and I'm not suggesting there was difficulties with that, but there was no need for Workbrain to - - -? ---Not at Housing.

No, and certainly no need for Workbrain to integrate with the financial package that Housing were using?---No. 20

Given that Queensland Health had so many more awards, given that Queensland Health for the first time was going to use Workbrain as awards interpretation tool, and given that there would have been more interfacing build solutions to identify, how could you possibly call this a "brown field solution" rather than a "green field solution"? What I'm suggesting to you: it is so completely different from Queensland Housing that you cannot describe it as a brown field solution?---In terms of business process it was a brown field solution, technically. What was happening, and this was actually part of the whole of government program, I think it was statement of work 5. Workbrain awards interpretation engine was going to be developed, it was done that way so it could then be reused when Queensland Health's final whole of government system was rolled out. So it was a move to provide a better solution for the problems that have been experienced with using SAP as an awards interpretation engine. So in terms of the functionality that Queensland Health were going to receive, the business processes were essentially quite similar. Workbrain uses an awards interpretation engine, change some of the front end in terms of the user interfaces, but it also provided a powerful processing capability that was assessed by IBM and Infour's architects during the proposal period when the idea was first formulated. 30 40

With that qualification, is that how we should understand your use of the phrase the fact that the project, that is, the QHIC project, was not a green field project starting afresh?---That's right, so there would have been a lot more work done up front in terms of determining what the Queensland Health requirements were before a solution was determined. 50

But in terms of the actual build and implementation, there were significant aspects of the Queensland Health interim solution that would be described as "green field". Yes? ---There were components of it that would be considered green field, yes.

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Now a new topic. Mr Doak completed an audit in about March 2008 and May 2008. Did you know the circumstances in which Mr Doak was brought onboard for that purpose?---No, I don't recall.

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All right. Did you speak to Mr Doak in the course of him conducting his audits?---Quite possible.

Do you recall what you said to him in relation to the problems that you had identified in the project as early as March and May 2008?---I don't specifically recall having a discussion with him about it, but I can imagine what I may have said.

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Yes, because if you can't recall what you said to him I'll just ask you this question straight out: what problems as the project director of the QHIC project had you identified as early as May 2008?---There were significant disagreements about what was and wasn't in scope continually being raised, including the fact that there was no agreed scope. There was continual delays in the deliverable approval process. I thought the subject of the review was much more around semantics than actually adding quality to the documents.

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I just missed - - -?---Sorry, I thought there was much more focus of the reviews on - - -

COMMISSIONER: Semantics, you said?---Yes.

What do you mean by that?---Almost correcting grammar in sentences, that type of thing, what I would call, you know, in the heat of the project, what I would call "low-value inputs" rather than the actual meat of the deliverable itself.

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MR FLANAGAN: Clearly the QHIC scope definition document was a deliverable under SOW 7 and had been delivered by IBM on 24 December 2007. Yes?---Yes.

When you say there continued to be disputes in relation to what was in scope and what was not in scope, who were those disputes with?---Malcolm Campbell would have been one; Tony Price another.

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And Mr Price at that time was the director of QHEST?---Yes, that would have been progressively from about April 2008.

COMMISSIONER: Sorry, Mr Flanagan, may I?

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Mr Prebble, are you saying that it was the SPO people, was it, were being critical of the expression of the deliverables?---Not particularly the SPO, but the SPO would - - -

Whoever it was, the criticism was of the expression used in the deliverables?---Yes, to some extent; yes.

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Wasn't it only by the expressions used in the deliverables that Queensland Health or CorpTech could determine what it was that IBM was offering?---I'm probably talking about a lower level than that. The structure of sentences, very minor points, I'm talking about what I would call the "meat of the deliverable", the really significant parts of it, in my view.

MR FLANAGAN: I would like to test your memory, if I may, Mr Prebble, in relation to the disputes as to scope. Can you first of all identify for us the issue or scoping issues that were the subject of dispute between yourself, Mr Price and Mr Campbell?---Between myself and Mr Price was commonly about HR/finance integration.

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Can you tell us what the nature of that dispute was? ---There was commonly comments like, "IBM should have known, this was always our requirements, IBM should be doing this," which, to me, were completely outside the definition of scope in the QHIC scope definition document.

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Was it ever put to you by Mr Price and indeed others from Queensland Health that they expected a like for like replacement of the LATTICE system?---I don't recall that expression but I do remember expressions that probably a growing set of requirements emerging from about probably March 2008.

What was your response, or your usual response, when issues of scope arose?---As a project manager, one of my primary roles is to protect the project scope and if there is a change request to go through that in a structured and agreed process. So I would prefer people asking me those sorts of questions back to the contract or the statement of work 8, and if there was a change required to that then my role would be to perform an impact assessment in terms of time, cost et cetera.

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All right. Thank you. Could I take you to paragraph 13? Now, in paragraph 13 you identify yourself as the person responsible for coordinating the preparation of the QHIC scope definition. Is it going too far to say you were the author of the document?---Yes, it probably is going to far. The consolidator of the documents is probably more accurate, so I facilitated a number of the activities, I

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PREBBLE, C.R. XN

pulled, with the assistance of Sarah Simpson, the document together in an IBM template, I made sure that all of the sections or all of the parts of the methodology that were required were fulfilled, and then would have performed some consistency checks, added assumptions, that sort of thing.

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All right. Can I take you to SOW 7, which was of course the statement of work that required this scoping definition as one of the deliverables under it?---Sure.

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It's in volume 2 of the bundle, page 99 is the page I want to go to?---Page 99?

Page 99, yes, Mr Prebble. If you look at page 96 first you'll see it is actually SOW 7 that I'm taking you to, and on page 99 I want to take you to section D: scope requirements. The first paragraph, "In determining the scope for the interim solution, the contractor, is IBM, in conjunction with the SDA, will determine the critical agency requirements for Queensland Health for interim solution." Do you see that?---Yes.

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Mr Prebble, could you tell us what is meant by "critical agency requirements" for an interim solution such as this? ---Well, there was a definition of agency requirements or deltas to the whole of government solution, as it was defined at the time in the ITO. So that became a starting point. Queensland Health were also engaged in the scope definition process to define, so within the context of what's the minimum that needs to be done.

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The word there used is "critical" so one would have thought there is some analysis that is carried out between the parties, that is between CorpTech, Queensland Health and IBM to determine what is a critical agency requirement for the purposes of an interim solution. Can you tell us how IBM went about incorporation with the SDA in determining those critical agency requirements?---My recollection is that it was a detailed review of the process documents at various levels that had been developed for Housing and identifying - so that would have gone ultimately to reports and interfaces and other things, going through that list and determining if there was anything additional to that that Queensland Health required or any variance of what was already defined that were required.

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And, clearly, there were additional critical requirements, weren't there, for Queensland Health?---There were; there were.

Can you give us some sense of what those critical agency requirements were for Queensland Health?---I don't recall the specifics of it.

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Is it putting too fine a point on it - actually probably not a fine point at all - but to say generally the critical agency requirements are those requirements of Queensland Health to ensure that at the end of the build and implementation of the interim solution, the 78,000 workers at Queensland Health continued to get paid at least as well, in terms of accuracy, as it got paid under the LATTICE replacement system?---I think that's a fair comment.

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All right, yes. Can you give us any insight as to how a critical agency requirement was determined and how an agency requirement that was not critical missed out on the list?---I think that would have been a matter for Queensland Health, largely, and the SDA rather than IBM. IBM, potentially, if there were gaps in the overall process would have pointed that out based on something else that had been identified. So they would have driven IBM's thinking to some extent to make sure that the overall solution was still viable as a whole.

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Can I then take you to volume 4 and I want to take you to the QHIC scope definition document itself. In relation to the definition document which commences at or about

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paragraph 63 and there's a heading on page 64 called Related Documents. Do you see that, Mr Prebble?---Yes.

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The related document section simply says, "Information sources referenced and developing this document include but were not limited to," and it lists a number of those documents. How were those documents identified?---They basically formed the definition of the Department of Housing solution as it was.

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How was it that those related documents were agreed in terms of scope?---Well, it was agreed that the solution would be built on Department of Housing. This was the definition of Department of Housing solution as supplied by the SDA.

The SDA. Yes. That definition was a similar definition to what was supplied in relation to the ITO?---I can't recall whether all that information was provided at that point.

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All right?---I think it was a higher level of information.

But in any event, this was information that had been coordinated and authored by CorpTech and Accenture in terms of the Department of Housing rollout. Yes?---Correct.

Apart from these documents, there were other detailed documents that the scope definition envisaged. Yes?---As inputs?

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Yes?---I can't recall what they would be. There may well have been.

All right. Were there other documents underlying the scope definition? For example, we talk about the BAD documents. Which is the more detailed analysis?---There was some of that but I think IBM, as I recall it, requested the BAD document. I don't know whether it was particularly of much help at that point due to its maturity.

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We'll come back to the BAD document, but for present purposes thought when, to your recollection, was the first BAD document presented to IBM by Queensland Health?---There may have been one on that statement of work 7 period. I can't recall specifically.

In any event, over time that was a document that was amended and changed until there was a version 7. Yes?---Yes. It went on for quite some time.

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Just in relation to the BAD document, the amendment to that document, albeit that Queensland Health were responsible for amending the document, to your own knowledge numerous amendments - and what I'm suggesting to you is 50 to 75 per cent of the amendments in the BAD documents leading

to the different versions were IBM's suggestions?---I don't recall that figure. I don't recall. IBM would have been pointing out deficiencies and need for information. 1

Yes. In your statement, you actually refer to the BAD document as initially drafted or in its earlier drafts of having some inaccuracies and certainly some gaps. Yes? ---That's right.

And IBM would have assisted Queensland Health in identifying those gaps and inaccuracies?---We would have pointed out the areas and the types of information that was required. Yes. 10

All right. When IBM was given a different version of the BAD document, was IBM entitled to charge for it?---Quite possibly.

To your knowledge, did IBM charge for every version of the BAD document they received?---No. It was not generally the approach. Delays were absorbed where possible, bearing in mind there was very little contingency in the project schedule. 20

Just take us through this: when you get a different version of the BAD document which ordinarily contained a summary of the amendments to the document. Yes?---As I recall it, yes.

Yes. You'd look at the summary of amendments to the document. What would you do then?---Well, the team leaders would need to conduct some impact assessments of basically what the impact of those changes were. In some cases we would have been waiting for the information and we would have understood what was coming. In other cases, it would have been a surprise, as I recall it. 30

The period that you were there, and I appreciate that you leave as project director in July 2008, did variations to the BAD document bring about a change request initiated by IBM?---There may have been. I can't specifically recall one, though. 40

You can put volume 4 aside for the moment, if you would. Can I take you to paragraph 16 of your restaurant then? Do you want some time to familiarise yourself with it? ---That's fine.

That's all right. You refer there to two documents. One is a service model for the interim payroll and rostering solution provided by Mr Atzeni by email to you on 10 December 2007. You also refer to agency specific requirements report, again provided by Mr Atzeni by email to you on 17 December 2007. You say then at the end of paragraph 16, the final paragraph, "I had no option other 50

than to work with those documents as final documents were not available." Could you explain what the problem was in that regard?---These documents hadn't been finalised. The service model, for instance, was provided by the Shared Services Provider, Queensland Health Shared Services Provider. It was noted as not final, but it was - as I recall, it was also marked as "to be used for scoping". I can't recall whether the second one was marked in that way.

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All right?---So they were provided to allow scoping to continue and be finalised.

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Can I take you to volume 1 of your annexures and show you the document? It's in volume 1, tab 2.

COMMISSIONER: I don't have tabs. Is there a page number?

MR FLANAGAN: No. I have a page number for you, Mr Commissioner, and it is in fact page 26.

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COMMISSIONER: Thank you.

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MR FLANAGAN: Page 11. I don't have tabs either. This is the email referred to in paragraph 16(a) of your statement, and it's from Mr Atzeni, dated 10 December 2007:

*This is the service model but we cannot be seen to state it is the model until union consultation has full occurred. This is what we will be moving with for our scoping exercises, but this is not to be communicated until I give you the official go ahead.*

Now, first of all, what was the purpose of the document that Mr Atzeni provided to you, which you'll find at page 14?---Well, the purpose was to give us the model that the shared service provider intended to use for the operation of the payroll.

And you appreciated that model required some negotiations with the relevant unions who had employees of Queensland Health. Yes?---That's right.

And Mr Atzeni was involved in those negotiations, to your knowledge?---I'm not sure I knew that but there were some negotiations underway.

All right, but as I understand it, you were allowed to use this document, albeit not a final document, for the purpose of creating the QHIC scope definition document - - -? ---That's correct.

- - - which is a deliverable under SOW 7, and you did in fact use it for that purpose?---That's correct.

All right. Thank you. And then the second - - -?---I think that's also indicated, sorry, in the last sentence there, that we should actually take that approach.

Yes. For the second document then in 16(b) of your statement - that one I think you'll find at page 26, and turning over to page 27, they're both emails dated 17 December. Again, it's a draft document that addresses the interim QHIC requirements only. Yes?---That's right.

Given that's a draft, you, as the project director, would have known that Queensland Health weren't even able to provide you at this stage; that is, 17 December, with a final interim requirements. Yes?---Well, I had no way of knowing how far away the draft was from being finalised. Quite often in Queensland Health is was a matter of going through a fairly torturous process of seeking signatures and so forth, so I acted on the advice I was given.

This is only seven days away from when the deliverable is due on 24 December 2007, is it not?---Yes.

As at seven days out from the deliverable, you are being provided with a draft requirements document. Yes?  
---Correct.

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Was that draft requirements document being used for the purpose of workshoping the issues to identify what were the critical agency requirements?---Well, I think it was confirming probably in a lot of cases what we already discussed.

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Mr Prebble, did you ever receive a final document from Mr Atzeni?---Not that I can recall. There may have been some other documents floating around from time to time, but from early January I had the scope of my project defined under statement of work 8 in some detail.

Again, for the purposes of providing the deliverable on 24 December 2007, did you work off this draft requirements document?---This would have been taken into account, I'm sure. I can't specifically recall details of doing that but I'm sure it would have been.

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Thank you. Before you finalised the QHIC scope definition document, did you receive or obtain Queensland Health their final documents or final requirements in terms of critical agency requirements?---Not that I can recall. There may have been further versions. I can't recall.

Did that concern you?---Possibly, but, you know, my mandate was to prepare a scope definition based on what the client was telling us. If in some cases those requirements weren't fully defined, that's not necessarily unusual at this stage; it's ultimately a judgement for the client in terms of the open issues that the project moves forward with, whether they're significant enough to halt the process and require more scope development.

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I'll take you to the wording of SOW 7, and I'll take you to page 99 where it actually required IBM to determine the critical agency requirements in conjunction with the SDA. Yes?---Yes.

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Did you see as any part of your duty as the project director to elicit or ensure that the critical agency requirements had been elicited from Queensland Health prior to the production of the deliverable?---There were certainly specific questions asked of Queensland Health.

But it would seem, without them providing you final documents, and when we come to it there were a number of open issues, weren't there?---That's right.

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Non-closed issues - - -?---Yes.

- - - in the scope document itself. Did it concern you that with all those open issues, some of which would ultimately affect scope down the track because those open issues included concurrent employment, they included the HR/finance integration, that those matters had not been bedded down for the purposes of proceeding with the scope document for the interim solution?---I had some concerns, more about some than others; however, this was played back to Queensland Health and CorpTech and agreement was reached that we could proceed on that basis.

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Mr Prebble, did anyone, to your knowledge, including yourself, give consideration to seeking an extension of time so that these workshops went on for longer so that the scope was more clearly defined, simply seeking an extension of time beyond 24 December 2007, Christmas Eve?---As I recall what happened, statement of work 8A was created to allow work on probably the core parts of kicking the project off could continue in January, as well as an extended period of time to review and assess the scope definition document.

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But the scope definition document was actually delivered on 24 December 2007?---That's right, so there was an extended review period after that date.

But the review period under 8A was in relation to providing or delivering SOW 8, wasn't it?---That's right, so SOW 8 couldn't be finalised until scope was finalised, essentially.

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All right, but did anyone ever say, "We need more time before we give you a scope definition document"?---No. More time was asked to review it. IBM had been fairly careful in ensuring that Queensland Health were properly engaged about providing subject matter experts, and as I recall the subject matter experts who were empowered to make decisions.

How quickly did you realise, as project director, that IBM would be kept to the letter of the law in relation to the contractual requirements?---Probably within the first month or two.

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Did you know that by 24 December 2007?---I would have been getting a sense of that, I think.

Can I take you to the first document in your annexures in volume 1, which is the email you refer to in paragraph 24 of your statement?---Sorry, where am I - - -

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If you go to volume 1 of your annexures?---Yep.

And if you turn to page 1. At page 2 you'll see what's being forwarded to you is the issues list, and it says, "Press the issues list as discussed; see attached"?  
---Sorry, I'm not clear where you're referring to. 1

COMMISSIONER: Page 2.

MR FLANAGAN: Page 2.

COMMISSIONER: You're looking at the index. Go past the index?---Sorry. 10

MR FLANAGAN: Page 2.

COMMISSIONER: And page 3 starts with that table scope?  
---Sure.

MR FLANAGAN: This is being sent to you from Queensland Health. Yes?---Yes. 20

And it's an issues list that arises, is it not, from the workshops that have been conducted? Yes?---Yes.

Tell me this: in relation to the workshops, who were the primary facilitators appointed by IBM to conduct these workshops?---In general, they would have been team leaders of that particular work stream.

Did you ever have a discussion with Mr Atzeni where he complained about the way the workshops were being conducted?---I don't recall that. 30

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Do you recall that Mr Atzeni actually came to you and he said that the facilitators in the workshop seemed to have a draft IBM scope document which they did, did they not?  
---They had a template.

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They had templates?---Yes, it wouldn't have been drafted.

All right. Just see if you have any recollection of this, that Mr Atzeni said to you words to the effect of, "We're finding the facilitators too aggressive in terms of adopting requirements that we're putting up"?---No, I don't recall that specifically. I remember there were conversations about how the workshops were being conducted, I don't specifically remember Mr Atzeni having that conversation with me.

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Can you tell us the conversations you do call about how the workshops would have been conducted and who they were with?  
---Sure. The facilitation was basically organized so there was a process of breaking the scope definition process in the work streams aligned with project work streams. We sent a list of that to Queensland Health, I think it would have been Damon Atzeni. We asked for nominees who were subject matter experts and empowered to make decisions and those workshops were then scheduled, I think, by Damon.

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So you don't have any recollection of a conversation with Mr Atzeni along the lines of, "The IBM facilitators were aggressive and reluctant to adopt requirements identified by Queensland Health"?---I don't specifically remember that but I'm sure there was discussions about how things were proceeding, how we could fine tune things.

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Yes. I need you to tell us what you do recall those conversations, given what I've just said to you?---I don't recall that particular conversation.

Putting that particular conversation aside, do you remember complaints in relation to the conduct of the workshops?  
---No, I don't recall that.

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Do you recall issues or concerns being raised in relation to requirements not being identified in workshops or not being taken onboard in workshops?---Not specifically. This is from Queensland Health?

Quite?---Not specifically.

Generally?---CorpTech were in some cases referring us back to the proposal, that the response to the ITO.

50

Yes?---In some cases that - you know, the scope definition process had changed what IBM had suggested in the proposal, but that was at a client's request.

Who was raising those issues from CorpTech with you? 1  
---Members of the SDA.

Do you recall who?---Not - Shaurin Shah would have been one, Bernie Bugden potentially.

Did you have conversations with Mr Terry Burns in relation to - - -?---Terry didn't really operate at that sort of level of detail. 10

Thank you. So if we go back then to this document, first of all - - -?---Sorry, which document is that, scope definition?

No, the document that you have in front of you, page 2 of your annexures?---Sure.

The email of 18 December 2007. So this is an issues list that has been sent to you and it's six days out from the deliverable date for - under SOW7 for the scope definition?---Sure. 20

First of all, this issues list, is this an issues list in relation to the interim solution or is it an issues list from Queensland Health in relation to the whole of government solution?---Well, from my point of view, it was around the interim solution. Some people needed to be refreshed about what the intent of it was.

All right. What do you mean by that?---You know, quite understandably at this point in the process, some Queensland Health staff were advocating what their whole of government deliverable requirement would have been rather than the interim solution. 30

THE COMMISSIONER: Can you explain to me in terms of what was to be done, the difference between the two solutions? I mean, what was the whole of government answer going to give that the interim answer wasn't?---Well, the full range of functionalities, so all the - I guess you would call them "the nice to haves", it will make our life easier - - 40  
-

Can you give us some examples, please?---Well, I would have considered a full HR finance integration as being the ultimate deliverable in the whole of government solution so not while we were - - -

But what sort of functions would Queensland - in your understanding, what sort of functions would Queensland Health get in the whole of government solution that it wasn't going to get with the interim solution?---Potentially a roll out of fully self service - manager self service which is really the ability to administer your own rosters, apply for leave, those types of things. 50

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Employees, individually?---Yes. Yes. It was quite a common set of functionality for SAP. 1

Anything else?---Quite a bunch of reporting as I would have understood it, and a lot of changes to the business processes, as I recall it, so the way, the specific ways that Queensland Health operated.

You mean they have changed between the interim solution and the whole of government solution?---Yes. I wasn't heavily involved in the definition of what the whole of government or full requirement set was. 10

I understand that, but I want to get some idea where the two solutions - or how they differed?---Well, the QHIC solution was designed to be - to do the minimal possible to keep paying Queensland Health staff and to be able to implement the changes of the EBA and mitigate the issue around the system lapsing so time was of the essence; minimal meant the minimum possible that could be done to continue to pay Queensland Health staff with a reasonable risk profile. 20

All right.

MR FLANAGAN: Thank you. If we then turn to page 3 of this folder, this issues list being sent to IBM or to yourself on 18 December 2007 is reasonably lengthy, is it not?---Yes. 30

But in terms of the effect on the QHIC scope, it tries to identify the effect in the last column, so you will have entries such as none, unknown, extra column in report for crew ID, due report and such things. Yes?---Mm'hm.

Now, you read this document when you received it?---I would of.

How was it actioned by IBM?---It was sent to team leads for comment and for further work to be undertaken. 40

All right. If you look at page 3 itself, at the very end it says, "Reports required on concurrent employees." Yes?---Yes.

And so that was an issue that was being identified by Queensland Health as at 18 December. Yes?---That's right.

Now, clearly if they are seeking to raise as an issue with IBM reports required on concurrent employees and concurrent employees was an issue that had been previously raised with IBM as a requirement?---Yes, as I recall. 50

All right. It ends up being an open issue in your QHIC definition document, doesn't it?---It does.

I will take you to that and show you it in due course - - -?---Sure.

1

- - - but for present purposes, can you tell us given that Queensland Health did identify as a requirement a functionality in relation to current employees and indeed the production of a report in relation to current employees, if you're eliciting from them the requirements, how does one get from that point where it's identified as an issue as late as 18 December 2007 to it being an open issue in the QHIC definition document and therefore subject to the change request process under the contract?---So I simply put the issue was left open because it couldn't be resolved in that time frame. As I recall it, the SDA and the whole of government program had negotiated with - it may have even been SAP to develop that functionality, so at that point it wasn't clarified enough so apart from saying we needed concurrent employment functionality, it was defined at a level of detail that IBM could then include it in scope, remembering that this was a fixed price contract so just saying that we want concurrent employment functionality, we want some reports, it isn't sufficient information for IBM to then scope and include that in the project.

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Mr Price, what steps were taken by IBM to seek to clarify that issue prior to delivering the scope document?---Prebble.

Hm?

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THE COMMISSIONER: This witness is Prebble.

MR FLANAGAN: Prebble. What did I say?---Price.

THE COMMISSIONER: You said Mr Price.

MR FLANAGAN: My apologies?---Sorry. That's fine.

You're not Mr Price. Mr Prebble, what steps did IBM take to clarify this issue from 18 December to the time the deliverable was made on 24 December?---We would have had further engagement along the lines of this list of defects or issues with the individuals and teams involved, so where they couldn't be resolved, they were then recorded as open issues to potentially be picked up during detailed design.

40

All right, thank you. Can I take you then to paragraph 22 of your statement. This identifies the workshops that IBM conducted in relation to the scoping exercise, and it also identifies workshops without specific dates, but can I take you to little (p) of paragraph 22? I don't have the document to show you so I can't assist you in that way? ---Sure.

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PREBBLE, C.R. XN

Do you have any recollection of Mr Atzeni sending you an email that identified concurrent employees as a requirement of Queensland Health for the interim solution?---I don't recall that, but it was ultimately logged as an open issue, so he may well have. My recollection is it was logged as an open issue because the functionality hadn't been agreed on the whole of government.

1

All right. I might be wrong on this, but I think current employees was ultimately dealt with by change request 73. Is that correct?---Possibly. That would have been around the time I changed roles. Yes.

10

All right. Do you recall - you've given us one example of scope disputes - that the issue of concurrent employees also constituted a scope dispute as between yourself and Queensland Health?---I don't recall that; certainly not to the scale of HR finance integration.

You see, the reality is this: once the scope definition document is delivered on 24 December, it's ultimately accepted, is it not, by the government?---Well, there's an acceptance process. I think it was actually towards the end of January it was officially accepted.

20

And it's signed off, I think, by Mr Ekert on 25 February 2008?---Yes.

And ultimately by Mr Doak and Mr James Brown in August 2008?---I'm not sure why that was so much later. As far as I was concerned, I'd been given the gift of clarity in January.

30

The scope definition document identifies 18 open issues. Did you get some feedback from Queensland Health or CorpTech when 18 open issues that could have affected scope ultimately did affect scope were left as open issues and subject to change requests?---I don't remember having those discussions. If there were concerns, I'm sure they would have been raised during the review process.

40

But as a deliverable under the contract, they could have said, "No, we're rejecting that because you've got 18 open issues there that could be the subject of future change requests." Yes?---Absolutely.

If one was looking at it, one could have said, "Well, I'm not accepting that document because it has too many open issues. I want these resolved and for you to give me a deliverable at the end of January or the end of February," for example. Yes?---Absolutely.

50

Can I take you to those open issues and for that purpose can I take you back to volume 4 of the bundle. In volume 4 would you please turn to page 83. Just before I come to it, I showed you the email from Mr Atzeni with the issues

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list which had pages and pages of issues. In your conversations with Mr Atzeni - and you did have several conversations with him in the course of these workshops and - - -?---I'm sure.

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He was your primary contact, was he not, for - - -?---As I recall it. Yes.

For the purposes of eliciting critical agency requirements, he was pretty much your person?---He was the consolidator.

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Yes?---But I think there was different groups providing the actual information.

Even though he sent you this issues list through someone from Queensland Health on 18 December 2007, you knew from your conversations with him that that was not an exhaustive list, was it?---I can't recall, but I knew that. I mean, at this stage we were working on the information provided to us.

20

But is it fair to say that quite apart from what's in the written documents and quite apart from the 18 issues identified in the scope definition document, you knew that Queensland Health had numerous issues that remained unresolved which they couldn't provide IBM with the necessary information to bring it in or identify as a critical agency requirement for the purposes of a fixed price contract?---No, I don't recall that.

30

You don't recall?---I don't recall that and I would see no reason why they wouldn't have included those as broad issues in the defect statement.

All right, thank you. If we look at the open issues, so page 83 and it says "five issues", you'll see issue 6 is concurrent employment:

*Functionality provided in SO is still under review for whole of government requirements, need to assess impact for QH and determine process and reporting options for interim solution.*

40

Are you the author of this particular part of the scope definition document?---Again, I think that probably would have come from team leads, but I would have consolidated it.

All right?---It seems like a fairly detailed piece of work.

50

What does it mean?---So there was concurrent employment functionality in the standard offer, as I understand it. It wasn't delivering to Queensland Health's requirement, again as I recall it, so there were still discussions going on about how that functionality would be delivered

ultimately in the whole of government solution and then retro fitted to the interim solution was my recollection of what the process was going to be.

1

What is the issue of concurrent employment or concurrent employees?---What is the business requirement?

Yes?---Broadly speaking, as I recall it, I could be a nurse and a gardener. So I could be, effectively, two different people working - sorry, the same person working in two different roles within Queensland Health which I believe, you know, there were a number of people in that category, not hundreds, but some. So, effectively, they would be working under different awards, but ultimately their pay would need to be consolidated for taxation and super purposes, et cetera.

10

The final column of this issues list identifies the application area and some are Workbrain, Workbrain and SAP, and some are simply SAP or some are change management. Yes?---That's right.

20

If you look at item 16 then you'll see finance integration:

*A number of FAMMIS finance related issues have been raised with the QHIC project team and there has not been sufficient time available to evaluate the impact of this request. At this point, the finance integration scope remains as described by this document -*

30

and you know how it was described in the QHIC document. Again, what's the effect of this item being an open item? ---Well, again, it would be picked up generally in detail design, so those discussions would be had further and we'd be further advised by the client about what their requirements were. Once that occurred, I would assess the impact of the project and raise a change request if required.

40

All right. The fact is that the reason that this hadn't been laid to bed prior to the scope definition document being provided on 24 December was because of insufficient time?---Insufficient information in the time, I would have recalled it more as.

It says, "There's been insufficient time available to evaluate the impact of this request." So you'd need to know what are the details of the request to determine the impact. Yes?---Well, we started off with, you know, what was proposed was an integration to PAYMAN, as did LATTICE originally. There was a bunch of discussion about whether or not that was really what Queensland Health wanted and there wasn't time to close those discussions down so it was agreed that it would be carried forward.

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PREBBLE, C.R. XN

In your position as project director at QHIC, can you assist us by giving your opinion as to how significant these 18 open issues are in relation to the scope of the interim solution?---HR finance was ultimately probably a bit of a game changer. The issue really, in my view, was about Queensland Health determining what their requirements were more than the work required to draw out that and document those requirements. It was from my recollection more about Queensland Health figuring out what they actually wanted.

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Without these issues being resolved, there were significant gaps in relation to the scope. Yes?---There wasn't a gap there. The alternative to the open issue - so what was in scope was the integration directly to PAYMAN and those other systems.

When I say "gap" I should be more precise. There's a gap in the sense of what Queensland Health were hoping for or expecting as part of the scope and what they actually got? ---Ultimately, yes, and I think that changed as time went on.

20

Yes. Mr Prebble, would you agree with me that these issues remaining open issues at the time of the deliverable gave rise to scoping disputes in the course of this project?---I don't think this is unclear, to be honest. I think it's - - -

I appreciate you don't think it's unclear, but the fact that these remained open issues and, albeit unchallenged open issues in terms of this deliverable being accepted, but it did lead to scoping disputes?---Yes, I suppose that's fair comment.

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All right. Thank you. Can I just finish that sequence by taking you to SOW 8 in volume 4 of the bundle, page 16? Did you play a part in drafting SOW 8?---I would have, yes. 1

Yes, all right. And you deal with the open issues which are identified in the scope definition document. Yes? ---Mm'hm.

So it was agreed that the QHIC scope definition deliverable review meeting held on 17 January 2008, and that was a meeting with a large number of people. Yes?---That's right. 10

Including people from CorpTech?---Yes.

And Queensland Health?---Yes.

*That a number of open issues remained unresolved at this point in time and that when resolved may result in a change to the scope of work required under this SOW 8. This, at the discretion of the contractor, may necessitate a change to SOW 8 under the agreed change control process.* 20

So the discretion to determine whether any of the open issues led to a change request was at the discretion of IBM?---That's right.

All right. Again, SOW 8 was agreed to by the government parties?---Yes. 30

Thank you. Could I then take you to paragraph 32 of your statement. Just before I go to paragraph 32, it's the case is that it that for the time you were there as project director no requirements tracking matrix was created?---I can't recall specifically, there may have been, I'm not sure.

Did you ever receive a request from anyone from Queensland Health or from CorpTech to create a requirement tracking matrix?---Not that I can recall. 40

This is the question that you've already addressed in paragraph 32 of time?---Sure.

You had previously described this as a "brown field project interim solution", what I suggested to you is that its complexity, because it's Queensland Health, which is clearly, probably apart from education, one of the most complex departments in the Queensland government. The time that was taken for the scope definition document to be provided, and the signing of the contract on 5 December 2007, was to 24 December 2007. Yes?---Ultimately, it was longer than that with reviews. 50

Quite, but the scoping exercises or the workshops, did they start before 5 December 2007?---As I recall it, IBM was actively working on this from about the beginning of November. 1

All right. Having participated in IBM's response to the ITO, you knew that there was an existing relationship between an IBM representative, Jason Cameron, and Mr Atzeni at Queensland Health?---Yes. 10

Indeed, that was used as one of the positives in IBM's response by suggesting they knew Queensland Health's requirements because of that existing relationship?---I can't remember what that phrase was but that may have occurred.

All right. Now, even allowing or interpreting statement of work 8A as an extension of the scoping exercise, that time was far too short to scope the interim solution for Queensland Health, wasn't it?---I don't believe so, I think we could conceivably have carried on for months to understand the final HR/finance requirement. Just viewed, in fact, that I don't think Queensland Health understood what it wants. 20

And you must have come to this conclusion, if you're getting draft documents for the purpose of identifying requirements and they're saying, "You can use these for scoping but they're draft," if you have 18 open issues in the scope definition, some of which result in rather large disputes, and if you have an issues list being delivered to you of pages long on 18 December, you must have identified that Queensland Health were incapable in that time frame of identifying their critical agency requirements?---I suppose what we were doing was looking at the delta between what the Department of Housing would have provided and what they needed, so we were informed by Queensland Health. I would have been particularly alarmed if there was a significant gap in the scope, for instance, there was no agreed HR/finance integration scope. The project moved forward on the basis that SAP HR payroll would be integrated with PAYMAN et cetera, so there was scope there. I would have been alarmed if there was nothing agreed. 30 40

The scope actually has to be sufficient, does it not, that IBM can build an implement an interim solution from it. Yes?---That's right.

To the extent that issues that arose would not have permitted the system to operate in a like for like manner with the LATTICE replacement, that failure to identify that in scope would have had an ongoing effect, would it not, in terms of the build and implementation?---I don't recall any gaps of that nature. 50

All right. Having identified a lack of capacity on the part of Queensland Health to identify its critical agency requirements, did you ever contemplate with others from IBM of saying, "We can't proceed until we get these"?--I don't recall us having that conversation, I think we had elicited the critical requirements based on a model that was presented, which was the Department of Housing, so, "What are your requirements on top of this?" We felt that where there could have been potentially serious gaps, such as would the payroll have executed, would it have provided updates to the finance system, we didn't identify any of those sorts of gaps as I recall.

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All right. May I take you to paragraph 39 of your statement? This bears upon some of the questions that Mr Commissioner was asking you before, but in the last sentence of paragraph 39, you say, "It did not attempt to define all aspects of QH's requirements from scratch, that would be done as part of the ultimate whole of government implementation." Yes?---Yes.

20

But it did have to identify, did it not, the critical agency requirements to permit the build of the interim solution?---No, it was a separate process, as I recall. These were critical requirements for a minimum payroll solution, interim solution.

Can you just explain what you mean in paragraph 39 then? ---So the whole of government approach would have been to go back to analysing within each business unit what were their requirements from a HR payroll process point of view, so what did finance need to work that back up from scratch, and then to find that ultimately is functional requirements. This was not the process we were going through, so the process to be used for whole of government was much more exhaustive. It would have been back to the analysing and engaging with individual business units directly, finance, HR payroll, shared service provider et cetera. And then built up a requirements definition which then would have been played back to the business, so those requirements would have been distilled at a much lower level.

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Were you ever informed by anyone from Queensland Health that they thought the workshops for the whole of government solution for Queensland Health were far more detailed than the workshops that were being conducted for the interim solution?---I don't recall that.

All right. Thank you.

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COMMISSIONER: That's what you would have expected, I take it?---I would have expected them to be much more detailed, yes.

MR FLANAGAN: Can I take you then to paragraph 55 of your statement? Do you need to see a copy of the BAD document? We have it in three volumes of Mr Hickey's statement. You're familiar with it, in any event, aren't you?---At a high level.

1

All right?---It depends what you're going to ask about.

Can you tell us the circumstances in which Mr Price came to request you to sign off on the BAD document?---It became fairly adversarial at one point, we were making points about the iterations and changes to the BAD document causing us delays. I can't recall whether there was a change request raised, I think it was more of a nuisance eating into contingency. At one point, Tony Price asked me to sign that document off as being completed and correct. I felt that I wasn't in a position to do so and refused to do that. I offered to sign it off as having received it.

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And why didn't you feel in a position to sign it off?  
---Because I hadn't extracted the information and it wasn't deliverable in my team. I had no control over its development or its contents.

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How was the BAD document used in relation to scope?---It was used to define things like pay groups, some of the master data deduction types, et cetera, as I recall it. So it would have been used to configure the solution rather than design it.

10

In your mind did it ever become an agreed document for the purpose of scope as between IBM and the government parties?  
---No. It was volatile, continually volatile.

All right. Can I just check a note please.

COMMISSIONER: Yes, of course.

MR FLANAGAN: Yes. At paragraph 58 you say, "As a result of the BAD document having so many versions it required IBM to perform the system build" - sorry - "it had an effect in that other parts were inaccurate, causing issues with the build and impacting on the data conversion testing." Do you see that?---Mm'hm.

20

It was not a part of IBM's responsibility to do data conversion testing, was it?---It was. So the typical arrangement is that the legacy side, which is Queensland Health, and the target side, in this case IBM, would negotiate what the interchange formats were for data conversion, ie, the SAP side would define what format the data needed to be in, what the characteristics of it were, et cetera. Then both sides would do their own development. The legacy side would do the extracts. They would have been from LATTICE, primarily, and the SAP side would have taken those interchange files and then loaded them into SAP. Now, the BAD data would be significant in that context because it defined codes, et cetera, which would have been used in conversion tables in the data conversion process.

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Who had the primary responsibility for data conversion testing?---Each side had responsibility for their own part of it.

All right, thank you. Can I take you finally to paragraph 90 of your statement. Mr Prebble, you've touched in your evidence today on some of the (indistinct) relationship with Mr Price. Did that relationship ultimately break down completely prior to you leaving?  
---It was difficult. It was difficult. I remember I'd instituted a series of meetings with Tony to try and normalise relationships. It was particularly unhelpful. I felt it was getting fairly adversarial.

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PREBBLE, C.R. XN

Did you take your concerns to Mr Hickey initially?---Yes, continually. 1

All right. Do you know what steps Mr Hickey took in that regard?---I know there were some discussions with Terry Burns about it. I'm not sure how far further it went or not.

When Mr Doak came on board, did you take your concerns to him?---Absolutely. 10

Mr Doak, of course, had meetings with people higher up, such as Mr Grierson the director-general?---Mm'hm.

Yes?---Sorry. I thought you were telling me.

No. Yes, do you know about that?---I don't recall that specifically.

You don't recall?---No. 20

All right. In any event, Mr Doak attends a meeting that you refer to here where it was, "Meeting between Mr Doak, Mr Burns and Mr Price," at paragraph 91?---Yes.

And then Mr Doak told you after the meeting that Tony Price had made criticisms of you. I don't mean to embarrass you at all by this question, but we'd like to get a feel of how the relationships broke down as between the government side and IBM's side. What were the nature of the criticisms? ---I've got no idea. To be honest, I would have assumed at the time that they were to do with my protection of scope, the development of the HR finance integration issue, the large value change requests that landed about that time relating to the delays. My understanding was criticism was about that. My position at the time was I'd been very transparent about the impacts of the HR finance integration. There was very detailed logs of communications of this issue as it evolved from probably about March and I felt that the relationships not just between IBM and Queensland Health, not just between Tony Price and myself, but between Queensland Health and CorpTech and even various divisions within those two organisations, SPO and SDA, et cetera, were crumbling and I felt that Queensland Health was gradually removing itself from CorpTech and I felt that I was in a position where I no longer wanted to continue with the project. That was my immediate reaction. 30 40

Twice in your evidence you referred to one of your primary roles as project director to protect scope?---Yes. 50

You used that term?---Yes.

Explain what you mean by that term?---Typically, one of the reasons that projects fail is, for instance, somebody at

Queensland Health approached me and said, "Chris, we need this." If I would have accepted that, in a lot of cases it would have meant that the delivery of the project was seriously compromised. It's quite common for projects to fail or have huge cost overruns because scope isn't controlled, so it's a basic project management technique, I suppose. Without controlling scope, you can't control time or quality or cost in this case, remembering this was also a fixed price contract with IBM, so there was some responsibility to IBM to control and deliver only what had been contractually agreed.

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Just excuse me for a moment.

COMMISSIONER: The issues you have just described are the ones that you and Mr Price disagreed about?---I beg your pardon?

The debates you have just mentioned, the issues you have just mentioned, were they the topics of your disagreements with Mr Price?---Yes, particularly the BAD document and HR finance integration, as I recall it.

20

What, the completeness of the BAD document?---Well, increasingly, the delay was being - there was an attempt to slate that back to IBM, that it was IBM's fault, IBM should have known, so obviously I didn't accept that and - - -

Should have known what? Should have known what?---Should have known that Queensland Health wanted what they ultimately defined in about July or August which, in fact, I don't think they knew originally.

30

I have just been given another email from Mr Atzeni to you dated 12 December 2007 and I'll show it to you now rather than in re-examination so people can examine on it, if they wish?---Sure.

COMMISSIONER: Do you have copies?

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MR FLANAGAN: I have a copy.

COMMISSIONER: Thank you.

MR FLANAGAN: Do you recall receiving this email?---I don't, but I accept I would have.

It's a concern raised by Mr Atzeni with you in relation:

*Not the least of which was the attitude of the IBM consultants, but more importantly, I do not have much confidence that they understand the needs and risks of QH. I believe we definitely need to push for a review of the total scope before the design phase is initiated.*

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How was this action - - -?---It looks like this is referring to testing. Is that correct?

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My comments are that:

*Some functionality we currently have that is baseline data to determine over, under is critical to the norms being able to adequately and responsibly make a -*

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I think it's actually more relating to a dropping of functionality that they thought was necessary for business continuity and as the date - it's 12 December 2007, so it's something arising from the workshop?---I don't specifically remember it, but I assume it would have been dealt with. I'm not sure if it formed part of Damon's comments or issues that were feed back to us ultimately.

All right. Does it assist you in recalling the type of concerns Mr Atzeni was raising with you in relation to the performance of the IBM consultants of the work - - -? ---Does it surprise me?

20

No. Does it assist you in recalling what the concerns were he was expressing?---No, not particularly, no. I will say, though, that we had fairly - under statement of work 7, which is what had been agreed and contracted, we had fairly short time frames to actually conduct these workshops so there would have been in terms of facilitation some sort of aggression about, you know, getting through the amount of work that had to be achieved.

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Good. I tender that document.

THE COMMISSIONER: Yes. The email from Mr Atzeni to Mr Prebble, 12 December 2011, is exhibit 111.

ADMITTED AND MARKED: "EXHIBIT 111"

MR FLANAGAN: Thank you, Mr Commissioner.

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THE COMMISSIONER: Just a moment. It is exhibit 111. Mr Kent?

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MR KENT: Thank you, Commissioner.

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Mr Prebble, can I just touch hopefully fairly briefly with you on statement of work 7, defining scope?---Yes.

You have already been asked about it today, I know. The idea was that IBM in conducting that work would conduct a number of workshops and interviews. Correct?---That's right.

10

The interviews being with QH payroll staff presumably. Correct?---Well, a range of different - - -

Okay. The idea being that IBM would draw out or elicit information on the system requirements?---The differences - the deltas between Department of Housing and what Queensland Health's minimum requirements were, yes.

I better get you to tell me what you mean by delta?---The differences.

20

Okay?---Yes.

These are the processes to identify the customer requirements. Correct?---The differences in customer requirements between Department of Housing and Queensland Health's minimum requirements, yes.

So you seem to be qualifying all of this by saying - correct me if I'm wrong, that you regarded what had already been done for Housing as very much a baseline on which you were building?---Absolutely.

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Correct?---Absolutely.

You were asked about it by Mr Flanagan, but do you not accept that there were vast differences in size and complexity between the two?---There were differences in size and complexity.

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You're not accepting vast?---Sorry, vast differences in size. In terms of the complexity of what was contracted and anticipated and envisaged for the interim solution, I would say the functionality wasn't vastly different.

In any case, do you accept that the work being done by IBM under SOW7 was to assess the customer requirements and make sure they were addressed in system design?---More draw out customer requirements, draw out those differences.

50

Okay. You do mention, I can identify a paragraph of your statement if you need to see it but part of that process is IBM needing access to the Legacy systems, the existing systems that were in place in Health?---Mm'hm.

And I will just remind you - - -?---Sorry, some of the system documentation, I think, we wouldn't have had LATTICE skills to dive into the system itself, I don't think. It would have leveraged Queensland Health and documentation for that.

1

You may have anticipated my next question. Was it part of this process at all that IBM was doing under SOW7 to have your people, your facilitators, actually sit down with payroll staff members at their computers and see how they operated the Legacy system, see it in action?---I don't think so. I may be wrong.

10

Would that not have been of assistance?---It certainly would have been a step in a full requirement scoping.

Is there any particular reason why it would not have been done?---It would have taken an enormous amount of time, I would have imagined. I'm not sure it wasn't done, certainly to some extent but it certainly would have taken an enormous amount of time at that level of detail.

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And I think you may have accepted already - I think you mentioned in your statement, this was a compressed time frame for scoping, wasn't it?---Absolutely. Sorry, it was tight.

For a big and complex project?---It was tight.

Do you mean by that tight but not impossible?---Exactly.

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All right. Now, you mentioned in paragraph 24 of your statement - I will just take you to that and you can have a look at it. You will see in this email from Mr Atzeni attaching the list of issues and Mr Flanagan has already asked you about that. Correct?---Sure.

I think it's a list that goes on for about seven pages?  
---Mm'hm.

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Would you accept this proposition considering that conduit information at least - sorry, I will ask you another question: was Mr Atzeni your main point of contact with the QH people?---At that point, I recall he was.

And you described him earlier as a consolidator perhaps?  
---Yes, facilitator, so he would have - there would have been a number of areas within Queensland Health he was drawing expertise from, I assume.

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You would agree with me then that at least at that stage, you were getting pretty helpful feedback from Queensland Health in what you were trying to do?---We were moving forward, yes. I don't - it was probably not as dynamic, we probably weren't achieving the clarity as quickly as we -

ultimately didn't reach the point the point where we thought we had clarity on scope. That was ultimately agreed with CorpTech and Queensland Health. 1

You wouldn't resist the proposition that as far as you could detect, Queensland Health were doing their bit in trying to help you do your job?---I wouldn't dispute that.

Yes. In paragraph 25, you refer to something Mr Campbell had said in his statement relating that it was Mr Atzeni's view the system was being built without an agreed project scope document. Do you see that there?---Yes. 10

You disagreed with that assertion by Mr Atzeni?---Correct. Well, I think the assertion was by Mr Campbell.

As to what Mr Atzeni had said?---Yes.

Whosever view it is - - -?---Sure.

- - - you disagree with that as a concept, did you? ---Absolutely. I can't understand how either of them would have that view. 20

All right. And yet, as you have been taken to today, there were 18 issues still unresolved at the stage of scope document being finalized?---There were open issues, yes.

Well, they weren't resolved, were they?---That's right; open issues. 30

Why do you say then that it is so unreasonable to be concerned that the system was being built without these things being resolved?---Well, I think ultimately it was a joint decision that the nature of those open issues was that the solution could proceed to detailed design.

So it was your point that any concerns being expressed by whoever it was at that stage, those concerns melted away by the time SOW7 was accepted?---Sorry, could you say that again? 40

Whatever someone was saying about the system being built without an agreed project scope document, you would point to the fact that the deliverable SOW7 was finally accepted?---Absolutely.

That's what you say?---Yes, and referring to - so statement of work 8 actually referred to the scope definition. 50

As you have been taken to by Mr Flanagan, that contains statements about what was being accepted?---Yes.

That's what you're pointing to. All right. Can I ask you this: during the period really that you were on the ground

there doing this, that's the first half of 2008 as I think you point out, you were on the weekly steering committee meetings. Correct?---Yes. 1

And that involved a number of people including QHEST members?---That's right.

Such people as Mr Atzeni and Mr Price, I think?---I'm not sure about Mr Atzeni. His role had changed at some point. He may have been there for the initial meetings, I can't recall exactly. 10

But maybe not the later ones?---Maybe not the later ones.

There was certainly QHEST members on the steering committee?---Absolutely. Yes, there were.

All right. Do you say during this period, that is up to July 2008 that things that Health were not doing or not informing you of or doing wrong were holding up IBM's efforts in this project?---Yes. 20

Do you say that?---Yes.

Would you go that far?---So that would have been - the details would have been put in my status reports.

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All right. And when you raised these things in the steering committee meetings, what was the response? ---Generally, it would have been - somebody would have been given an action to resolve that issue, I would have been given a new date to plan on or there would have been further actions recommended. I mean, ultimately IBM was asked to take a lead in resolving the HR/finance integration issue, so that would be the sort of action that would come out of that meeting.

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So something was said by you and there was a response?---It was a response to my status report.

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Everyone on the steering committee was trying to keep the whole thing moving forward. Correct?---Yeah, I think that was the intent.

You've told us about semantics, what does that answer mean? ---Look, I'm not sure that the process was as dynamic as the project needed but generally there was actions defined at those steering committee meetings, possibly not as quickly as I thought those decisions should have been made but ultimately there were decisions made to resolve issues.

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It's also the case, isn't it, that you've told us about some of your interactions with Mr Price. There were differences of opinion between people as to whose responsibilities or who might be to blame for delays that were happening?---Yes.

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You've been asked about the BAD, and I'm just going to ask you another couple of questions about that?---Sure.

I'm not sure whether you finally accepted or not, but you may have accepted at least a number of the changes to the BAD - I'll start again. There were changes made to the BAD that were incorporated in the success of versions of it over time. Correct?---Mm'hm.

I think you may have accepted that a number of those changes came about because of things that IBM had raised during the work that they were doing?---Yes.

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All right. And I don't think you finally accepted Mr Flanagan's suggested proportion of 50 to 75 per cent of those (indistinct) of those things coming from IBM rather than Queensland Health?---Look, they may have come from IBM but there would have been a couple of categories, things that were patently just missing or things that IBM needed to configure the system. So things that Queensland Health didn't know about, but a lot of them were around defects, deficiencies et cetera as well so there would have been a couple of reasons for IBM asking for those additions.

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It's true to say this, isn't it: that in terms of its, well, its content and its qualities, the solution being built by IBM was quite a bit different from LATTICE. A much more sophisticated system, correct?--Without having a great knowledge of LATTICE, I'd say probably.

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One would probably hope so, wouldn't one?---One would hope so.

It's a much more modern one than LATTICE was?---Sure.

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Is it fair to say this: during your work there once the build phase started you were passed SOW 7, starting on your work proper with the project. The state of knowledge of the business attributes required (indistinct) evolved on both sides, that is, both IBM and Queensland Health learned more about the business attributes that were necessary for what you were doing?---I'd say to a minor extent IBM.

Right?---So I'd say that it would have been fairly clear the information that we required from the business. There have been some omissions or errors in what was communicated there from IBM, I can't recall what those proportions would have been.

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What I'm suggesting to you is this: given what you were doing, all right, which was building a new system that was going to replace an aging Legacy system that had gone out of support, with the best will in the world and the efforts at scoping that IBM had done it wasn't possible for either side to know in advance with complete certainty before you started exhaustively what the business attributes relevant to all of this were?---I think the business attributes document had been something that was developed to support the whole of government program earlier, so IBM, we'd asked for this document originally in November 2007 and I think there was an expectation that it would be reasonably complete and provide the information we needed.

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But is that really realistic given what you were doing, replacing LATTICE with this new solution?---I think it was, based on the fact that Queensland Health had already been interacting with CorpTech around what their whole of government HR/payroll requirements were. So this document would have been developed in conjunction with - sorry, commerce in CorpTech's requirements for information, that was my recollection of the understanding I would have had at the time.

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What I'm suggesting to you is this: the evolution of knowledge of the business attributes was inevitable during this process, and it was in contrast to and different from Queensland Health inventing any new requirements, it was an evolution of the knowledge of what really was required? ---There would have been some of that, but, you know, there would have been a number of reasons the document changed.

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PREBBLE, C.R. XXN

Queensland Health would have changed, added, deduction or something similar to that. It may have been one reason without recalling exactly what was in it, IBM could have asked for additional information, or IBM could have pointed out deficiencies in the information that had been provided.

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Can I put a blunter proposition? You're not really saying, are you, that during this process it was simply a case of Queensland Health constantly wanting new build and resource for the system, you're not saying that?---There was quite a lot of change requests.

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But new functionality that had never been spoken of before? ---Without having a detailed look at the BAD document I couldn't really answer that question.

All right. When you mention in paragraph 59 of your statement, page 13, and Flanagan's touched on this with you, "None of the points of difference between you and Mr Price." I'll just pause there. Did you ever deal with his predecessor, Mr Hay, at all?---Very occasionally, Nigel Hay was often not available.

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A lot of your interaction with the person in that position was Mr Price rather than Mr Hay?---Or Neil Glenworth, who was Nigel Hay's offsider originally.

And then Mr Price when he - - -?---Mr Price from April or so.

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- - - came in?---Yeah.

Okay. Anyway, he was wanting you to sign off on the bad, right, and you weren't comfortable doing this so you eventually said you would sign off on receiving it only, is the way that you've put it. Correct?---That's right.

That's because, is it, that you say this document was also in a state of evolution - is that right - changing?---The reason I wouldn't sign it was I had no involvement, I had no control over its contents, I hadn't been involved or facilitated its development so I really wasn't in a position to sign it off.

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Yes?---And it would have meant nothing.

Did you say, at that stage, anything to Mr Price about, "Before we nail that down we have to iron out exactly what the differences are between us about scope"?---I don't recall that.

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Did you consider at that stage, this is, as you say, about July 2008, that scope remained uncertain between the parties?---Scope remained as it was defined in the scope definition under statement of work 8, modified by any change request, so that was my view of scope.

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PREBBLE, C.R. XXN

I understand that, but my question is between the parties? 1  
---Yes.

Was there a competing version from the government side that there were arguments about scope?---I think there were always arguments about scope.

All right. You were applying the ascendant methodology in this, weren't you?---Yes. 10

Does it address the question of how you'd proceed where there's some uncertainty or at least argument about scope? ---I think that was actually defined in the contract, so that would have been the remedy for those sorts of discussion. In general, it was a QHIC steering, for instance, would ask for a change request to be assessed or for a (indistinct) assessment to be conducted on a change, which is generally something I would manage. I would then submit that back to the IBM PDO for costing and other considerations. 20

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Can I take you, please, to paragraph 65 on page 14? One of the problems that you say was encountered was this turnover of project managers that you refer to. Is it fair to say there was a high turnover of people in fairly important roles at IBM as well?---Not within that period, not within the period that I was there. There may have been in the whole of government program to some extent, I'm not sure.

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Your leaving was one, wasn't it?---Sure. I'm not - - -

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You were mentioned in the contract as being an important before and you left?---I did.

As did Mr Surprenant. Correct?---Sure.

So you don't place all the blame for turnover of staff or whatever impact it had on this whole project, you don't place that all on the government's side and none on IBM, I take it?---Well, the period I was mainly referring to there was the period I was actually the project director so - I mean, I would have been consistently in that role since November through to about July. I was referring to the changes of Queensland Health during that period.

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If one takes a longer view, there might have been a bit of a balancing - - -?---Potentially. I'm not as across the detail of what happened after I left.

Can I just clarify this with you: in paragraph 67 on page 14 second line, you say the QHIC team had not received assessment criteria. Should that be acceptance criteria? ---It could have been, I'm not sure whatever the wording was on the statement of work.

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If one looks at the next line, the word "acceptance" is used. You seemed to know - - -?---I'm sorry, that could be - that might be my error.

I'm not being critical, I'm trying to clarify?---It's the right-hand column on the delivery schedule anyway on the statement of work.

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Okay. You say in that paragraph that it would be usual for customers to provide criteria for acceptance to enable the contractor to know what was required when a deliverable was produced and therefore it was at least clear you say to IBM what specific content or form was required by CorpTech. It is fair to say that often a customer wouldn't be completely clear what they had to provide by way of information and part of IBM's job is to help them get to the point where they can provide the relevant information?---Well, this was certainly in a contract sense, this formed the basis of their acceptance so in order to get the deliverables cleared, approved and the payment milestones achieved, IBM wanted to know in more detail what formed the base, under

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what criteria these deliverables would be accepted, and this went to quality as well as payment milestone, so, "What are you looking for? What is important to you? What do you want to know?" So these were important to IBM, particularly when we started getting delays and deliverable reviews.

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Isn't it something that you discussed with the customer - - -?---Absolutely.

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- - - and get feedback from them and settle on criteria? ---Look, certainly we had - the onus, on my recollection, was on the customer to define what their criteria were, so from IBM's point of view, its' going to be the standard IBM template which formed part of the ascended methodology but what specifically formed acceptance criteria from the customer we were very interested in because we wanted to make sure the customer understood what we were doing and wanted to be particularly transparent about the process so it was important criteria the customer were going to use to accept the deliverables.

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What did you do to clarify that with the customer?---I think originally in probably early January there were some approaches to the SDA about what constituted their acceptance criteria for various deliverables. By the time statement of work 8 was developed, these hadn't been provided and progressively I raised this either verbally or in status reports that I was concerned that these acceptance criteria hadn't been provided.

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To what effect?---None that I can recall.

So you're saying that you raised this repetitively as an issue, what, in the steering committee, is it, would you say?---In my status report which would have gone to - ultimately the QHIC steering committee as I can recall it.

What would people say back to you in the steering committee?---I don't specifically recall but I do - you know, as far as I can recall, there was none ever provided. It seemed to me fairly fundamental.

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One would think so?---Mm, but it's not - - -

Did you do anything to escalate this as a concern?---Well, I suppose including it in my status report, I'm not sure how I phrased it precisely but it was obviously a concern to me. These status reports were particularly - were normally pointed at things that needed action so it probably was after a deliverable review cycle where the reviews had been particularly delayed and I wanted to get some further clarity about what the expectation of acceptance was.

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Who was your next superior person at IBM?---Paul Hickey.

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PREBBLE, C.R. XXN

Did you raise this with him?---The status report would have been to him apart from others. 1

Did he have an equivalent, as you understood it, on the government's side that he was liaising with?---Yes, look, I can't remember specifically who that was. I think that changed around a little bit. Possibly it would have Mr Benson, I think.

This was all before Mr Doak arrived, was it?---Yes. 10

There is nothing further, thank you.

THE COMMISSIONER: Mr Traves?

MR TRAVES: Just briefly.

Mr Prebble, you were asked some questions by the Commissioner about a system which was a minimal - or a minimal system and an system which had - shall we call it more complete functionality?---Sure. 20

During the course of the project, during your involvement, can you give us an example of something which was raised by QH which went beyond a minimal requirement and instead transgressed into what you might class as the more broad functionality?---HR finance integration, yes.

THE COMMISSIONER: Can you expand on that?---Well, look, the original scope was to take an existing application, being Payman, there was a number of other - there was what was referred to as the MAN series of applications which were already integrated into the sort of web of Queensland Health systems so the original concept was to provide direct integration to those and let them manage the existing integrations to other QH systems and this was in fact the role of those solutions with LATTICE. What it eventually became was a series of complex non-standard integrations between SAP HR and finance. That was - you know, in my view representing the ultimate HR finance integration scope for Queensland Health, so that was certainly a move from what I would have considered to be the minimal scope, low-risk scope to something that was obviously very high risk and so it was going to take a lot more time. 30 40

But what sort of functions did the integration between the two SAP systems achieve that the interim solution wouldn't have given?---I think the original difficulty was that the changes couldn't be made to the Payman application and other related applications to integrate with SAP so the process is initially around agreeing what the interface is, what the fields that are going to be transferred are, what are their attributes, how often it happens, whether it is interact or in batch, so those agreements couldn't be 50

reached. That was the source of delay and then Queensland Health asked IBM to facilitate a process to go back to square 1 if you like and pull the business requirements out for that HR finance integration piece. Now, when these requirements were gathered, they were very comprehensive and covered a range of complexity within Queensland Health.

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If I have understood you correctly, there are two issues in what you have just said. One is that there was a difficulty or an impossibility in achieving the interfaces that had been intended initially, that is using the Payman series of artifacts, whatever you call them. The other is that Queensland Health wanted more functionality, more things done by the interim system and that required the new integration. Have I got that right?---Yes, I think you do.

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All right. Now, which was it? Was it that the initial integration that was intended couldn't be made to work, or is it that more functionality was required so you had to go out to a new integration?---Well, they were separate and so I think a point was reached where Queensland Health told us that they couldn't achieve the changes required for Payman which was a Queensland Health responsibility.

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Yes. Okay, accepting that, but was that a technical difficulty that the integration couldn't be made to work? ---As I understand it. I mean, this was information given to us by Queensland Health that they couldn't make the changes required to integrate.

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So then they asked you to integrate SAP to SAP?---To facilitate a process of developing the requirements for that and developing scope for that. That was change request 61, I believe.

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But again, if I have got this right, it's got nothing to do with Queensland Health requiring more functionality?---That wasn't why the PAYMAN integration failed, but ultimately Queensland Health told us that they couldn't do that, so I'm not absolutely sure about that.

All right. Mr Traves, I'm sorry.

MR TRAVES: Not at all.

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Any other examples you can think of, Mr Prebble?---Not off the - no, not without pouring through the details.

Where would you need to go to find that sort of detail?---I can't even recall where I'd need to go.

It's just that there's a difference between a minimal solution and something different. It's been raised on a few occasions by witnesses - - -?---Sure.

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I think yours is the first evidence of any example of that occurring?---Well, minimal was - I mean, there was talk about like for like with LATTICE which wasn't doing very much. There was lots of manual workarounds.

LATTICE was nearly broken?---It was nearly broken, yes, even worse than that, it was nearly in a position where it wasn't supported. So it was - as I remember it, the basic mind set that was used was: what is the bare minimum that is required to do at least what LATTICE is doing and allow us to move forward with EBA changes on a supported system.

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Was this the difference of requirement from Queensland Health over and above a minimal solution one which caused significant delay and should be looking elsewhere for sorts of requirements that you - - -?---Sorry? Could you say that again?

Is that something, this difference of requirement, QH, over a minimal solution, which developed over time, something which caused significant delay? Is this a big factor in delay?---HR finance integration was, yes.

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Are there any other examples, though? Is there somewhere else that we should look which would show examples of what

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PREBBLE, C.R. XXN

you suggest caused delay in the project?---Well, certainly there were deliverable reviews, there were requests for delay asked for by Queensland Health. So there was a number of reasons that change requests were raised.

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I'm just trying to focus on whether there were Queensland Health requirements which ultimately extended beyond what you would call minimal requirements and you've identified one that you thought was?---I couldn't recall any other specific - - -

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So you can't give any evidence about the extent to which they might have delayed the project?---Not off the top of my head, no.

Thank you, Mr Prebble.

COMMISSIONER: Mr Ambrose?

MR AMBROSE: No questions.

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COMMISSIONER: Mr Sullivan?

MR SULLIVAN: Just a few questions, commissioner.

COMMISSIONER: Yes.

MR SULLIVAN: Mr Prebble, did I understand your evidence at the start to be correct in this respect that either CorpTech or Health had raised the HRFI integration in March 2008? Is that your recollection?---There were difficulties in agreeing what the technical design of the interface would be at that point, I think.

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Mr Price didn't commence in his position until some date in April 2008?---That's right.

Are you aware of who within Health, at least, raised those issues with you in March 2008 or was it just CorpTech?---I think it would have been more us raising the issue with them, so there would have been discussions happened at a technical level about what the design of this interface was. It would have been raised with me ultimately that there were difficulties being experienced in achieving agreement on what the interface needed to be.

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Do you recall who you were dealing with in CorpTech and who you were dealing with in Health on that issue?---CorpTech would have been primarily Steve Mitchell, who was essentially, as I recall it, an account manager between CorpTech and Queensland Health. I can't recall who it was. It may have been Mr Glentworth or Ron Fawcett.

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Is it correct to say that by the end of March 2008 this difficulty with HRFI had manifested itself?---I'd have to look at the detailed status reports, but it was around that time.

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Thank you. You identified that there were times when Mr Price would raise, for instance, this scope issue around the HRFI with you and that was an ongoing issue for some time, wasn't it?---It was.

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Obviously there were formal meetings which were held and minuted, but is it correct to say that there were also informal meetings that you had with Mr Price?---Yes.

And on some occasions you had those meetings with Mr Price and Mr Burns present?---Possibly.

And those meetings would occur on a regular basis, the informal ones I mean?---I can't recall exactly how often they were.

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But they certainly occurred into June and July?---They would have been, yes.

And they were informal in the sense of there wouldn't be a formal agenda and there wouldn't be a formal set of minutes coming out of the meeting?---They were more to make sure that the process was proceeding as quickly as possible.

Is it correct to say that Mr Price, within these informal meetings, would from time to time raise concerns that he had about particular issues?---Yes.

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And you'd respond to those concerns?---Yes, I'm sure I would have done the same.

There wouldn't necessarily have been a document generated from that meeting, such as a minute, recording your discussions?

---No, not necessarily. There may have been actions that were emailed after those meetings.

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Those are my only questions. Thank you, commissioner.

COMMISSIONER: Thank you. Ms Downes?

MS DOWNES: No questions, thank you.

COMMISSIONER: Mr Doyle?

MR DOYLE: Yes, thank you.

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Just in terms of the process of identifying scope initially, you've set it out in your statement at some length, at the end of that process there's submission

finally of the QHIC scope document for approval by someone. 1  
Can you tell me please what you understood the process to  
be by which that someone would consider and approve it?---  
Right. So the document was submitted on the 24th to Steve  
Mitchell and Damon Atzeni, being the primary  
representatives of Queensland Health and CorpTech  
respectively.

Yes?---Actually, I think I got that the wrong way round. 10  
The intent at that point was for them to take those  
documents to their own organisations and undertake detailed  
reviews by the acceptance.

All right. I think you mentioned at some stage that that  
process of review was extended by some means?---That's  
right.

Is that statement of work 8A?---Yes.

Was that at the request of CorpTech or Queensland Health? 20  
---I think it was a request of CorpTech.

That was to enable more time to consider the scope  
document?---That's right, which would have delayed  
statement of work 8 being developed as well. The other  
reason for that delay was to allow work to continue on the  
project whilst that was happening.

All right. As I've understood you, by the time they 30  
approved that scope document, you view that as the  
agreement to the scope that you're going to perform - - -?  
---Yes.

- - - subject to any later change requests?---That's right.

You've given us some evidence of the existence of disputes  
about scope. Can you just concentrate on disputes which  
come after the agreement to the QHIC scope definition  
document?---Sure. 40

And, again, can you tell us please what kind of thing was  
urged as being the subject of a dispute by Queensland  
Health?---Well, there was a number of things from the  
CorpTech SPO and basically anything - they seemed to have a  
view that there was no agreed scope. So that could be just  
about anything from the SPO. From the point of view of HR  
finance integration, this was something that Mr Price  
brought up that there was no agreed scope document. He'd  
got that information from Mr Atzeni and so IBM should have  
known or should have been doing or should be responsible 50  
for this change in scope.

As best you can recall, they weren't sort of identifying  
something in the QHIC scope document and identifying a  
dispute, but rather raising something irrespective of the  
QHIC scope?---Absolutely.

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PREBBLE, C.R. XXN

Very good. Can I just take you back to your statement please to paragraph 22 where you list a series of steps that were taken, workshops and emails and so on. Do you see that?---Yes.

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I want you to have, if you could, exhibit 111, which is the email from Mr Atzeni to you. Do you have that?---The one I was going - - -

Yes. The one that you were handed today?---Sure.

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I want to suggest to you these things: on the same day, that is 12 December you sent an email in these terms:

*Damon, thanks again for your feedback and am very surprised, but will address with Mariza and Jacquie ASAP. Would we be able to discuss prior to the test meeting today, maybe 15 minutes prior or so?  
Regards, Chris.*

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Do you recall such an email?---That would have been the sort of reaction I would have expected to have made.

Can you help us please with who is Mariza?---Mariza was the SAP HR payroll specialist.

Within your team?---Within IBM.

And Jacquie?---Was the process lead, again within my team.

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Thank you. I want to suggest to you further, the same day you sent another email to Mr Atzeni saying, "Just about to discuss the recent issue with Jacquie and Mariza and was wondering if you have any feedback from today's session."

COMMISSIONER: I'm missed - what was the issue?

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I'll read it again:

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*Just about the discuss the recent issue with Jackie and Marissa and was wondering if you have any feedback from today's session as yet.*

Do you recall that?---Yes.

And I want to suggest to you the same day you received this response:

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*Much better today, perhaps the team are just getting used to her style but it an acquired taste.*

Do you recall that?---Yes I do, actually.

Thank you.

Now, is the case that workshops continued after that?  
---Yes.

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And with whatever, that led to incorporation in the QHIC scope?---That's right.

Mr Commissioner, I will have copies of those exchanges available.

Now, dealing then with what has been described as the open issues, I just wanted to talk to you about the two that you have been asked about today. One of the two in the QHIC scope relates to the HR finance integration?---Sure.

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It's the case, isn't it, that the QHIC scope document itself provides a solution to the HRFI integration?  
---Correct.

Okay. What was the nature of the thing which was opened?  
---Queensland Health hadn't definitively said that that's - that summarized their requirements at that point.

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They want to have time to consider what additionally they wanted to have done. Is that right?---They may have had different requirements I think is probably more along those lines. They weren't sure what their requirements were at that stage.

Thank you. The other one that I want to ask you about is the question of concurrent employment. Tell me if this is right:

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*The concurrent employment did not exist in the Department of Housing SAP solution in an acceptable form?*

Is that right?---That's right.

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PREBBLE, C.R. XXN

That in fact SAP was working on developing a better concurrent employment solution for the Queensland government, for the whole of government roll-out?---I would think that SAP but I remember that was some party was undertaking.

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That will do. Someone was doing it?---I think it was SAP.

THE COMMISSIONER: Do you know if the Department of Housing had concurrent employees?---I don't think so. It was essentially a salary agency as I understood it.

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MR DOYLE: Thank you. The design of that was not at that stage finalized?---That's right.

And until it was finalized, it was not possible to scope whatever it is was to be done for Queensland Health? ---That's right. It was considered it should be part of the standard offers, they needed to be developed by the CorpTech whole of government team.

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I think when giving evidence to Mr Flanagan about this, you referred to something being retrofitted later on?---That's right.

Can you tell me, please, what that means?---Retrofitted means taking one piece of functionality from one system and putting it into another essentially so it would have been developed as a whole of government solution and be used by Queensland Health when they ultimately got the whole of government solution, plus other agencies are required. It would be then taken from that system and retrofitted into the interim solution to provide that functionality.

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And at the time of the QHIC scope definition, is that what was proposed?---It was what was envisaged, yes.

All right, thank you. Now, I don't think we need to trouble you about the change requests that relates to HR finance integration but our learned friend, Mr Traves, asked you whether there were any changes which were affected, seeking functionality beyond what might be described as the minimal. If one were to seek to identify those, would one be able to gain some assistance by looking at the change requests that were approved?---Yes.

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Is that the best source?---I would think so.

Thank you. Now, you were asked - moving to a different topic, about some problems that you perceived there to be in or by May 2008 and you said that - and I think you were talking about - well, I won't - you referred to someone conducting reviews which focused on semantics?---Mm'hm.

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And that someone is whom?---There would have been a number of people I would have put in that category.

7/5/13

PREBBLE, C.R. XXN

Please tell me. If you give the name of the group that they're in if that is helpful?--Well, the SDA was particular culprits for - and again, it's a subjective judgment but I would have thought were not focusing on the meat and potatoes of the document, what was really significant in the project context but we were more focused on the way that it was worded, referring back to the original proposal from IBM referring to things that were out of scope, for instance. In some cases even referring to - asking for deliverables that were later in the deliverable cycle which obviously hadn't been produced yet so that they could review these earlier documents.

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Thank you. Now, my learned friend, Mr Kent, asked you a question to this effect; that would you agree that the state of knowledge of the business attributes evolved on both sides as the progress developed. Do you recall that question, and you said to a minor extent with respect to IBM?---That's my recollection.

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I wanted to ask for your comment though to answer that question with respect to the other side, that is Queensland Health or CorpTech?---Major changes, so as I can recall that were deficiencies and that whole sections of information were required and missing. Some of the information was incorrect and other parts that were very volatile.

Very good. Only two more questions. Can you help us, please, with data conversion?---Sure.

30

There was an issue that was raised in by someone who asked you a question about data conversion in respect of changes to the business attributes document. Is it the case that Queensland Health, the ultimate idea was Queensland Health would extract data from LATTICE, cleanse it in some way and that cleansed data would be given to SAP?---Correct.

Is that within the description of data conversion?---Sure.

40

Thank you. Finally, there has been a suggestion made by someone else that it would have been a worthwhile thing to have not just a schedule for the program of works in respect of the QHIC project and a different schedule in respect to other streams of work but one integrated schedule for all activities. Do you understand that proposition?---Sure.

Was there such a thing or do you have any knowledge?---I recall that there was something at a high level. I'm not sure whether it was at a detailed - - -

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Was an attempt made to produce an integrated schedule during the time you were there?---Not that I can recall.

All right.

7/5/13

PREBBLE, C.R. XXN

THE COMMISSIONER: Thank you. Mr Flanagan?

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MR FLANAGAN: I tender an email from Mr Prebble to Mr Atzeni, dated 12 December 2007 at 11.23, and email from Mr Atzeni to Mr Prebble, dated 12 September 2007 at 13.22.

THE COMMISSIONER: All right. So the date again?

MR FLANAGAN: 12 December 2007.

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THE COMMISSIONER: Emails between Mr Prebble and Mr Atzeni, 12 December 2007, are exhibit 112.

ADMITTED AND MARKED: "EXHIBIT 112"

MR FLANAGAN: Mr Commissioner, may Mr Prebble be excused.

THE COMMISSIONER: Yes. Mr Prebble, thank you for your assistance?---Thank you.

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WITNESS WITHDREW

MR FLANAGAN: Mr Horton will take the next witness.

THE COMMISSIONER: Mr Horton?

MR HORTON: I call Margaret Berenyi.

**BERENYI, MARGARET** sworn:

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THE COMMISSIONER: Yes, Mr Horton?

MR HORTON: Now, you are Margaret Berenyi. Is that correct?---That's right.

And you prepared a statement for the inquiry signed by you on 8 April 2013?---That's true.

And it comprises 246 paragraphs?---It does.

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246 paragraphs?---That's right, yes.

Now, there is I understand a date that you wish to change in your statement. Could you tell us what it is?---There is. Paragraph 52, the inaugural QHIC board meeting was 2 April, not the 6<sup>th</sup>.

Thank you. Can I just have you mark that change in your original statement which we will then tender?---Sure.

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I tender that statement, Mr Commissioner.

COMMISSIONER: Yes, Ms Berenyi's statement is exhibit 113.

ADMITTED AND MARKED: "EXHIBIT 113"

7/5/13

PREBBLE, C.R. XXN  
BERENYI, M. XN

MR HORTON: Ms Berenyi, in your statement you deal with a number of topics, some of them relate, I think, to a general topic of the scope difficulties which seem to exist in the project at least from the CorpTech side of the equation?---Yes. 1

I'll deal with that bit first and then deal with such other topics as might be separate. You mention at paragraph 52, when talking about project management in subparagraph (a), that there were some things about the contract which meant that it left for scope to be exploited, and then in other parts of the statement you refer to some other documents which you thought might be relevant to scope, such as the business user requirements specification. When you talk about the scope of this contract, what documents did you have in mind?---When I talk about scope I talk about the QHIC scope, definitely, and that was the primary document that relates to scope. That's really the primary document. 10

Did you have (indistinct) to the BAD documents, the business attributes design?---I'm aware of the BAD documents, I didn't actually review the BAD documents. 20

Did you have any involvement or input into them?---No. What about a requirements traceability matrix?---I'm aware that IBM had a requirements traceability matrix, I did not see or review that and indeed it was never presented to the board.

Were you aware why that RTM never became an agreed document as distinct from merely an IBM one?---I'm not aware why it wasn't an agreed document, no. 30

From a more general perspective, scope is dealt with in your statement in a number of ways and I want to take you through each of them?---Sure.

The first way in which it seems to have been dealt with at one stage was to ask at a more general level whether pay or net pay would, if the matter were not dealt with, be incorrect. Is that right?---Certainly, if the employee was not paid correctly that's certainly an issue. 40

Can I take you to volume 9, please? At page 37, these are minutes, Ms Berenyi, of the QHIC business review members? ---Yes.

It's page 37, the second page of that document. The bottom of the page, the last paragraph, "Following a lengthy discussion": do you see that paragraph?---I do. 50

"It was agreed with IBM that any error that caused a pay to be incorrect would be fixed without additional cost." Do you recall that being agreed?---Yes.

Now, in one sense one might say that's a scope, is that correct?---I believe it to be a scope, yes. 1

So that one will be left with a system, if this exists, at go live where the system will function so that no pay other than negligible ones is incorrect?---That's true.

Can you move on in that same document, please, to page 222?  
---Page - - -

COMMISSIONER: 222. 10

MR HORTON: These are emails between you and Mr Doak?  
---Okay.

The very bottom of the page, Ms Berenyi, is Mr Doak writing to you referring to a long voicemail he left. The bit that I wanted to draw your attention to was his words "being only those defects impacting net pay". Do you recall receiving this email?---I recall the email, yes. 20

Is there a difference between pay and net pay, in your mind, at this time?---I don't know what Bill meant, but a net pay is being paid correctly.

And you don't see that pay in a wider sense is different from net pay?---No.

Did Mr Doak ever explain to you what he was trying to convey when he said net pay?---No. 30

You understood it to mean simply pay?---Yes.

Would it include things like superannuation and leave accruals?---It would be the correct payment, yes.

COMMISSIONER: That doesn't quite answer the question, at least I don't understand it. Superannuation isn't paid, obviously, to the employee fortnightly nor is leave, so are those accruals, those entitlements as they're delivered, were they a part of net pay as you understood it?---That would be part of pay, so, yes, it would result in a net pay once those transactions were processed. Leave, for example, is something that is processed through a transaction and providing that meeting is approved then that would be pay. 40

Do you regard a functioning payroll system that delivered net pay would be one which also dealt with accurately superannuation and leave entitlements?---It had to be legislatively compliant, yes. 50

At paragraph 76 of your statement - I need you to just keep that volume with you for the minute because I'm going to take you back to it - you talk about things being categorised as a core system defect or a new requirement.

7/5/13

BERENYI, M. XN

Again, this seems to be something which has a relevance at least to scope? Would you just answer audible?---Yes, sorry. 1

Thank you. Now, can you tell us when did this distinction come into existence between a core system defect or a new requirement?---Well, I mean I understood a core system defect to be one that is in scope to be fixed at no cost, and a new requirement to be out of scope to be fixed at an additional cost. 10

Does this notion tie into the concept of whether a pay would be incorrect or not at the end of the day?---No.

And I'm asking you because - - -?---I'm sorry, perhaps you need to clarify the question.

Sure. You agreed with me earlier, and there was an agreement reached, that IBM would have the system such that at the end of the arrangement pays would not be incorrect? ---That's true. 20

What was, within that notion, wasn't it, was that, that was the core system?---There was dispute as to whether that was the core system.

And dispute between Queensland Health and CorpTech or dispute between the state and IBM?---It was between what was a new requirement or an existing core element of the system. In part, it was the three parties, I mean Health specified what their requirements were, IBM was the deliverer and obviously CorpTech was the contract manager in that sense. 30

What I'm really suggesting to you is: there's been an agreement which seems to be in that first document I took you to, that the system would be one which meant pay was not incorrect. Then that, I want to suggest to you, is the core system and new requirements is anything above and beyond net pay not being correct?---Well, we got to that conclusion at a point in time, all right, now that conclusion didn't happen immediately it was a conclusion at a point in time. 40

Was this related to something called the "deployable system"?---No.

You had involvement, I think, in creating a set of criteria which was called the "deployable solution readiness criteria" or something of that kind. Is that right? ---That's true, that was created as those criteria. 50

Yes?---I didn't personally create them but they were created and the board approved them.

Was it done in your time, though, as executive director of CorpTech?---Yes, it was. **1**

And that drew the distinction between things which were core and non-core. Is that right?---The deployable system was actually - came about as a result of the likelihood that the go live would be deferred to 2010. It required that we wanted to make sure that the system as it existed at the end of the calendar year 2009 was able to be deployed. So, in other words, all the testing had been done, everything that would normally happen would be done and that system was ready for a go live situation. **10**

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I think the terms used in the deployable solution were "critical and non-critical". Is that your recollection?  
---Sorry, I don't recall. 1

You don't recall whether those terms are interchangeable with core and new requirement, the ones I just took you to at paragraph 76?---Well, at that point in time, we had through our change request 184 determined that everything that had to be done to pay people correctly and make the system a reasonable pay system for Queensland Health would be in the deployable system. 10

Can I take you to page 81 of that same volume that you had the larger volume, page 81, the first page of the document. It's page 82 I'd like to take you to, about the middle of the page and the paragraph will be highlighted, I think, already, "It was agreed"?---Yes.

Before this time there are criteria which exist for entry and exit into the various testing regimes. Is that correct?---Yes. 20

And there is a criteria established by which the severity defects are to be categorised?---Yes.

What is happening in this board meeting, isn't it, that there's now a departure from those criteria or, at least, a freeing from those criteria and the project directorate is now to decide on a more pragmatic basis what should or should not be done before go live?---What the board was confronted with is various terms and definitions and various lists that were presented to the board with different labels and what the board wanted to understand was what was required to be in place to go live. The board, whilst the language here was for the board, it did not intend in any way that that would negate the requirement for other areas or other groups to consider severities or requirements or other elements. This was to help the board to understand what were the problems that had to be resolved for go live. 30 40

But there are two big problems, aren't there? One is to know what's in and out of scope?---Yes, that's true.

And the other one, related probably, is to make sure that when the system goes live, pays won't be incorrect?  
---That's true.

I think you've said already you regarded as in scope that pays not be incorrect after go live?---That is true and that was the outcome of 184. 50

Along the way - and I think as part of this agreement to disregard some of the language - there's some reclassification of defects that takes place. Is that correct?---Yes.

7/5/13

BERENYI, M. XN

I think on one occasion on 27 July 2009, I think, you and Mr Brown recommend that certain defects be categorised, recategorised from severity 2 to severity 3?--I'm sorry, I can't recall. If you can inform what document, I'll - - -

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I will in due course. Can I just get you to turn in that same volume just a few pages over to page 88. This is about 12 defects, I think, which become the subject of a change request?---Yes.

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This is concerning a payment to IBM to correct some defects?---True.

How is it assessed whether these defects are out of scope? Do you see in the first sentence it says, "They've been assessed as being out of scope"?--My recollection was that there were discussions between Queensland Health and IBM and CorpTech that these issues had to be resolved and they were determined to be new requirements on the basis of those discussion. Yes.

20

Were they defects which affected net pay?---I can't say that. I know they were defects that had to be resolved and, you know, we were in the process of considering 184 and hadn't concluded 184 and these had to be done to keep the project going forward.

Is that really the sole criterion then to keep the project going forward?---No.

30

What analysis was done, I'm asking, to determine whether these were defects which affected pay?---Well, the analysis as I'm aware - I did not participate in these analyses - but certainly they were analysed by CorpTech and IBM and Queensland Health.

Yes. Just turn back two pages to page 86, please?---Right.

This is the contract change which I think arises from the memo I've just taken you to?---Yes.

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Change request 194 and there it says, "The purpose and effect is to undertake the correction of various severity 2 defects." Are they the defects that were being authorised to be paid for?---They're in the document. Yes.

Yes. Is each of them one, can you recollect now from seeing them, which would have affected net pay or pay? ---Not all.

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All right. Some?---Some, yes.

COMMISSIONER: Which ones aren't?---I would suggest that perhaps 2690 isn't.

All right?---That might be the only one. The others look all related. I'm not too sure. I don't know that that doesn't affect net pay, just the wording there might give rise to the fact that it may not be a pay issue.

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But the rest all affect net pay?---Others are all pay related.

Yes.

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MR FLANAGAN: You obviously recommend or you approve the recommendation on that page I took you to at 88 and you authorise the change of the contract?---I do, yes.

I'm asking you these questions to try to understand what assessment you yourself made or how you yourself were satisfied that this was a payment that should be made for defects which were in truth out of scope?---Well, I was certainly advised by the contract management team that this was an appropriate change request. This was discussed at board, I do recall, and these were determined to be appropriate in terms of requiring to be addressed.

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Turn to page 85, if you would. We're still in the change request. It says at the second paragraph there in the first box, "To enable the entry criteria for UAT to be achieved"?---Yes.

"And to allow the UAT testing to progress in accordance with the current schedule"?---Yes.

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I want to suggest to you that really the signing of this document is a pragmatic approach to the contract, not at all having regard to the strict contractual entitlement to the parties?---I would agree that that certainly would be part of it. Yes.

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In fact, the system could not have entered UAT but for these defects having been resolved?---Yes. That's probably right. Yes.

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And IBM is being paid to resolve severity 2 defects? ---That's true. Yes.

Which, if one assumed for the moment that they have been properly categorised as, and there's an assumption to be made there, it's something that IBM would be responsible for correcting?---I'm uncertain.

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Can I take you forward please to page 320. This is a document which deals with the reclassification of defects from severity 2 to severity 3, 27 July 2009. Do you remember seeing this document at the time?---I do.

Do you remember endorsing it? Do you remember - - -?---I do.

20

Again, what were the nature of the defects here which were being reclassified?---I'm uncertain as to the detail. This has been prepared for me by James Brown and this would have been as a result of discussions at the project directorate and, indeed, we were informed at the board that this review was being done by Tony Price.

You were being told there or you're endorsing the first dot point, second sentence, "The agreed conditions for milestones to be met is that there are no severity 1 or severity 2 errors or as determined by the project board"? ---That's right.

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The point being, I guess, that the system again cannot progress while severity 2 defects are existent?---Or as is determined by the board.

Yes, yes. But you're not acting in the capacity of the board here, are you?---No.

40

No. So the effect of this reclassification, again, is to permit the system to pass into the next gate, as it were, because the severity 2 defects are being reclassified now as something else?---Reclassification, as I understood, does not mean that they weren't given due attention to the result.

It meant they weren't going to be given attention before the system went into the next stage?---That's true.

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Of course, you wouldn't reclassify them if they were going to be given attention before the next stage?---I believe that to be true.

What do you think you would have been told about what these defects were in their specific nature at the time?---I wasn't told. This was an exercise undertaken by Queensland Health. They managed user acceptance testing and classification of defects. This was done under, you know, the sort of control of Adrian Shea and we - certainly myself - was not made aware of what these defects were; just the fact that Queensland Health was undertaking it and they were comfortable that this is a reasonable approach.

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Did you make any inquiries to ascertain whether these defects were ones which affected net pay or pay?---No.

In each of those aspects of scope that I took you to, how did you see them as arising and I want to ask you in a specific sense? There's the scope document you spoke of earlier and there is the general statement, if you like, in SOW 8 of the main scope, the head scope document, if you like, that there would be an interim minimal replacement of the existing LATTICE solution. When I've asked you about scope in those more specific examples, how did they tie back, in your view, to scope?---Sorry. Can you repeat - - -

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Did these considerations arise from the scope documents or from the general statements about replacing LATTICE in an interim way with minimal functionality?---I can't answer that. I don't have the documents that tell me where they arose. Certainly, they arose as a result of testing because clearly they were defects that had to be resolved.

30

I'm asking you what's the motivation in your mind, what's the thing that comes to mind, when you would receive these types of documents about defects and so forth and things being in and out of scope? What's the - - -?---My motivation is that Queensland Health gets a pay system that pays employees correctly and that they can manage their pay.

Where do you get that notion from?---From the board discussions and, indeed, the board was very clear around that. Michael Kalimnios and Adrian Shea and myself and Bill Doak were all of that understanding.

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Why don't you when I ask you that question say, "It's from the documents from the QHIC scope definition"?---Because I can't go back to that and see that.

I can take you to it. I'm really asking what at the time was in your mind as being the solid foundation, if you like, of scope?---Well, the solid foundation certainly is a scope document, but I have been informed and advised by my advisers that that scope document was not of a quality - sorry, quality is not the right word, but not of a definition that was sufficient to define the details of scope.

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7/5/13

BERENYI, M. XN

Yes. So when I speak to you about - you've agreed with me - this being about pays not being incorrect, where does that come from in your mind at the time such that you can discuss it in board meetings? Where does the notion come from?---The notion comes from any payroll system and you don't want a payroll system if it's not going to pay people correctly. I mean, that's the nature. In CorpTech, we paid at that point in time, every public servant and we knew that the intent was always to pay go - - -

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So when there was to be a minimal replacement of LATTICE, minimal functionality, what in your mind was the bit that was minimal as distinct from not minimal?---Well, minimal had to incorporate anything that was required to pay an employee correctly. Right? It had to allow for a legislative compliant payroll solution. What was not minimal would have been relevant, such as online data entry and things like that from a user's perspective.

Yes, thank you. Can I take you to some more of the specific matters dealt with in your statement, at paragraph 16, for example. I think you can put that bundle aside?---This bundle?

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Yes. You probably don't need to have recourse to it. You started in the role - you were engaged by Mr Grierson? ---Yes.

And you say in effect, I think, in paragraph 16 in the last sentence you're there to get the project delivered, to get the job done?---Certainly, Mr Grierson approached me and said that he would like me to come over and head up CorpTech and one of the major challenges was the Queensland Health payroll.

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Yes.

COMMISSIONER: I'm sorry, I missed that last bit?---And one of the major challenges was the Queensland Health payroll system.

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Yes, thank you.

MR FLANAGAN: At paragraph 20 you say many things, but you preface it by saying that this is your understanding of those matters, I think - - -?---That's true, yes.

- - - at the time of which you begin the project?---That's right.

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Even though much has happened before you start? ---Absolutely.

Do we read the matters set out in your paragraph 20 then as being positive assertions by you that these things are correct or merely the state of your understanding at the

time you started?---It's a statement of my understanding based upon my review of documentation. I was given multiple folders when I came in of my conversations with my direct reports and also conversations with Queensland Health and with IBM.

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Can I take you just to two aspects of those?---Yes.

One is subparagraph (h) on page 7?---Yes.

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You talk about a business user requirement specification and I think you mention a similar document later on at page 68 or 67, requirement specification?---Sorry, I don't have that page number.

COMMISSIONER: It's at paragraph 68, is it?

MR FLANAGAN: Yes. It's at page - - -?---Paragraph?

You've got the first one at page 7 which is - - -?---I've got (h), yes.

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Yes?---I've got that one.

The other is at page 17, 66, 67, business requirement specification?---Yes.

What document are you referring to when you mention that document? Do you recall what it was called in a more specific sense?---I would be referring to the QHIC scope document.

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QHIC scope definition. Is that right?---That's right, yes.

Was that, I think, a document you've explained as being something which you thought was important but which you thought was not the last word on scope. Is that the way - - -?---Exactly, yes.

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At paragraph 20, subparagraph (r), which is at page 8, the bottom of the page, you refer to some advice CorpTech had received before your appointment?---Yes.

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That there might have arguably been acceptance of IBM's unsatisfactory conduct. Do you recall who the advice was from?---Well, look, I was briefed on the fact that advice had come from Mallesons on various occasions and that was the, you know, sort of the tenure of the advice that was given.

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You met with Mr Grierson regularly in your role as executive director?---I met with Mr Grierson on a number of occasions. When I took up obviously in February I met with Mr Grierson, I met with him, he then went on leave and in May, Natalie McDonald came in as the associate director-general and she was my supervisor therefore I did not meet with Mr Grierson on a regular basis after that point.

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So before Ms McDonald starts as your supervisor, how often do you meet with Mr Grierson about matters touching upon this project?---Look, I honestly can't recall. There were a number of times, and my dilemma is that I can't recreate the diaries. That's just simply a technical problem, Mr Commissioner, in terms of we changed networks and unfortunately that's just simply - I've been told I can't recreate it.

COMMISSIONER: It's been explained to me in some detail, Ms Berenyi, I understand?---To my frustration, I must admit.

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MR HORTON: In any event, the meetings which you would have otherwise been having with Mr Grierson then becomes meetings you were having with Ms McDonald?---Absolutely, yes.

And after Ms McDonald's appointment, how regularly then do you meet with Mr Grierson about matters which concern this particular project?---Infrequently, and it's usually on an issues basis. Natalie briefed Mal.

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You start in CorpTech just after there's been a decision, as I understand it, be the executive steering committee that IBM would, at least for that time, have no new statements of work. Is that correct?---That's true.

Were you involved in the making of that decision?---No.

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Were you involved in its after effects, were you involved in dealings with IBM about the effect of that decision?---I was certainly involved in dealing with IBM but not necessarily to the effect of that decision.

COMMISSIONER: Are you going to deal with the topic whether that decision and that time was an appropriate time to reassess what was meant by "minimal functionality", or hasn't that been a matter of importance here?

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MR HORTON: Yes, thank you. Can I come back to that topic in a moment, but for now can I take you onto paragraph 59? You say that IBM's performance was sub-optimal in a number of respects?---Yes.

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You say, "Had there been rigorous use of project methodology by IBM it would have seen good project documentation maintained." Did you form a view there was no being maintained good such documentation?---I was informed by others that was the case, I obviously didn't get down to look at what methodology IBM used. My understanding is that they would have used a projects methodology. I understand that there's, in fact, in the submissions I presume that must have been the methodology but I don't have a detailed understanding of that.

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Can you recall any particular project documentation which were suggested to you to be sub-optimal?---Look, I suppose in part, you know, the integrated project schedule was one that I would have expected IBM to have in place. The board - it became known to the board in around about June that there was no such document existing, and there was then a number of workshops and other things put in place to create an integrated project schedule. That's not to say there wasn't a project schedule, IBM and Health both had project schedules, there was just no singular line of sight project schedule that had everybody's, you know, sort of activities in there and therefore had all of the critical paths, decision points, the dependencies in the activities that had to happen.

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Are you, when you talk about an integrated project schedule, referring to something which should have encompassed the activities to take place for the whole government program, or are you talking about - - -?---Well, my focus has always been on the QHIC project, all right. I believe that is an important instrument to be used and it is one that, you know, would assist in determining what impacts there are for delays.

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I understand. I want to be clear, though, the integrated project schedule which you had formed a view should be delivered was not one that should be about the whole of government solution but integrate the activities which are to be done by the various players, if you like, for the

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QHIC project?---Well, I actually think there's multiple layers of integrated schedules. I think the whole of government one should have one as well, which would have then said, "Okay, these are the subprojects which are in fact the agency led projects and how they all interrelate."

7/5/13

BERENYI, M. XN

I understand. But the one you were talking about initially, is that the whole of government one, or is that one - - -?---No, I'm talking about the Queensland Health payroll.

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And you never saw a project of that kind, is that right? ---I did not see that, and indeed the conversation at the board level was that we needed that to be done to be confident in the reassessment of go live as it resulted in about June. I think we asked for that to be put together.

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At paragraph 59C, Ms Berenyi, you say there's a lack of a traceability matrix?---Yes.

You've mentioned earlier that IBM had a traceability matrix itself?---We had a discussion about this at the board and indeed it's definitely not a deliverable, a document under the contract, absolutely. But there is a belief that such a document should be in place and be used by all parties in terms of assessing how, you know, testing, making sure that all the testing was appropriately conducted.

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The decision made of the board, I think, is that the traceability matrix is for IBM only, in effect. A decision seems to be made that it's not something which the state would agree to as being the document. Is that right? ---That's true.

Why was that decision made not to adopt the then IBM matrix?---Well, because at the board John Gower, I recall, said that they had updated the traceability matrix and they wanted Queensland Health to be involved in verifying and maturing that document, and Queensland Health at that point in time indicated that they didn't have the capacity to do that because their people were engaged in UAT testing. Therefore, you know, we acknowledged that there was a traceability matrix but it certainly wasn't deemed to be accepted by all parties as being a point of truth.

30

What do you think would have needed to have been done to make it a point of truth, what was it lacking?---Well, I've never seen it so I don't know what it was lacking, but certainly to have a traceability matrix that clearly articulates the requirements and how those requirements have been implemented and what testing is done against those requirements to ensure that, you know, the expected result is delivered is something that every project should have. What would have made it acceptable would have been if all parties acknowledged that and used it, and I don't know to what degree Queensland Health made use of the IBM traceability matrix. From the conversations I heard, very little is what I would understand.

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You said to ensure the expected results delivered. In this case is the expected result again that system - - -? ---Sorry, for every requirement to make sure that that requirement was implemented in the solution and that there is a trace to how that implemented and that it was tested and that it did perform.

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Yes. Deliver, as you say, the expected result, the ultimate deliverable, the system?---Yes.

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And that system here was the one we spoke of earlier, was it, the one where pays are not incorrect. Is that how you regarded this playing out?---Well, certainly, you know, the traceability matrix is a tool, right, that project managers use in order to assure that everything has been covered and that the functionality that has been specified has actually been delivered in the solution and the solution results in this case would have been payments made to people that are correct.

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Yes. Now, can I go back to the topic the Commissioner mentioned a moment ago?---Yes.

What I will call for a moment the down scoping?---Yes.

The decision that seems to be made in January 2009 by the executive steering committee, that for the present at least - - -?---Yes.

I will take you to something in your statement about this. For the present at least IBM would only be performing the work from now on in regards to the interim solution for Health?---Yes.

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Now, I think you deal with that topic in your statement at paragraph 18. The bit I think I want to focus on is the second half of that paragraph. You mention - - -? ---Paragraph 18?

18, page 5?---Okay.

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You mentioned that there's the executive steering committee of 29 January 2009?---Yes.

Which you say which indicated IBM's role to limited to the delivery of the QH LATTICE interim solution only, and then you add these words: "And that there may be consideration, a further engagement after this work has been completed"? ---That's right.

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Now, I don't think in the minutes that those later words appear. The minutes just talk about being limited to the interim solution. Was it your recollection or did you know at the time, were you aware of some arrangement where there might be a reconsideration of that after the LATTICE

solution had been - - -?---Look, I can't recall how I became aware of it but certainly the gist of what I was aware of was that IBM was asked to scope down to just delivering the Queensland Health payroll and depending on that, there may have been then the whole of government come back - - -

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You know the arrangement in a general sense under the statements of scope were that the LATTICE interim solution would be rolled out - - -?---Yes.

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- - - phase one would take place - - -?---Yes, yes.

- - - and as part of that next phase, the phase ones, that IBM would return to Queensland Health to do the remainder of the roll out?---After phase one had been completed?

I think as part of phase one?---Yes.

Anyway, it would return to Queensland Health to do part of the roll out which wasn't the minimal bit and not the interim bit?---I will acknowledge that, so yes.

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Take that as an assumption for the minute?---Yes.

Were you aware of how in light of the decision made in January 2009 about there being no future statements of work, at least for now, the decision was made about what would happen then with respect to the interim solution, and of course if there was to be no second stage then what was decided in terms of how extensive the functionality should be for the interim solution?--- I'm un aware of any recast of whether that functionality had to extend as a result of that decision. It's my understanding that - you know, if you can extend as a result of that decision.

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Are you aware of anyone in Queensland Health ever saying, "Well, in light of that decision made in January 2009, we had better make sure we get a bit more on the system because otherwise it can't be guaranteed ever of having it completed under the return visit," if you like?---No, I'm not aware of that ever being said. I am aware and I'm unsure of who but it would probably be Adrian. I did say that it is expected that there is a two-phase or two-part activity, or two-stage activity. There is this activity and there would be a subsequent project after that to deliver enhanced functionality that may be required.

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What was your understanding of what the enhanced functionality would be, did you have any specific understanding?---Well, my understanding in my conversations was that it would include - you know, sort of the elements of employee self-serve, management self-serve, the online elements, you know, that would help, you know, in terms of streamlining the business process activities within Queensland Health.

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To your knowledge, was that delineation ever clearly made between what would be minimal functionality and what was not minimal functionality?--No, no. The scope as I understood it was the scope as we have been talking about, you know, so it was about getting a payroll solution that delivered, correctly paid employees and allowed Queensland Health to manage their pays.

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THE COMMISSIONER: So Ms Berenyi, is it your recollection that at the time of this decision that IBM should be asked to provide the payroll system replacement for Queensland Health but they did no more work on the whole of government roll out of Shared Services, that no-one (indistinct) as to whether the interim solution should be changed because it was not going to be interim?---Well - sorry, the interim solution was interim in as much as it delivered our pay solution for Queensland Health to deliver pays so therefore it did actually achieve a replacement of the LATTICE environment which was the requirement that Queensland Health had. It certainly needed to deliver the functionality that did allow Queensland Health to manage pays but not necessarily the functionality that allowed, you know, extended, I suppose, business process reform within Queensland Health. That was what was deemed to be as a separate project to happen after the event.

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When the decision we have been talking about was made and there wasn't going to be a further stage, as it were and that the work that IBM was asked to do on the Queensland Health payroll, was always going to do, with respect to the payroll, did anyone in CorpTech or Queensland Health turn their minds to whether anything should be done to change the scope of the IBM contract?---That certainly wasn't - what we did was as was said, discontinue certain scopes of work or statements of work in order to curtail to just delivery of the Queensland Health payroll. We did start to then talk with Education training and the arts and also with other agencies around what has to happen to allow them to consider how they need to progress with their payroll.

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Yes, because they weren't going to be looked after by IBM?---Sorry?

Because IBM wasn't going to be asked to do any more work for them?---Well, I mean, we had in large part the whole of government roll out was suspended until the Queensland Health payroll could be implemented. At that point, I don't envisage or I don't believe it was envisaged that it would never recommenced, it was just suspended is my recollection at that point, at that date. We were talking about, you know, the sort of - January 2009.

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Mr Horton, is that a convenient time?

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MR HORTON: Yes.

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THE COMMISSIONER: All right. We will adjourn until 2.30.

THE COMMISSION ADJOURNED AT 1.03 PM

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THE COMMISSION RESUMED AT 2.33 PM

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MR FLANAGAN: Ms Berenyi, can I take you back to the down scoping comment very briefly. I think I had suggested to you in relation to the minutes, in January 2009 there wasn't a mention of there being the possibility of further engagement of IBM after the work. Can I just take you to the document and ask you to have a look at it, volume 8, page 98. I think, Ms Berenyi, your statement has picked up the words there from the first paragraph under the heading 2.0 business solutions program?---Sure. Yes.

10

Do you have an independent recollection, though, of there being some consideration at the time that IBM might be engaged to do further work after the LATTICE interim solution had been completed?---I can't recall if at the point in time I understood that.

Can I ask you just to turn in that same volume to page 153 on the same topic. This is a director-general briefing note. You're there as having endorsed it, but it's not signed and it comes after those minutes, it seems, at the time. This deals with the topic, it seems, of replanning. Do you recall it?---I don't recall it, but that's - I get a lot of things so that's okay.

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Yes. It mentions under the heading Background of something in January 2009:

*Due to budget constraints and issues with the prime contractor, government approved that the current prime contractor only continue to be engaged for the interim solution.*

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You don't recall that?---It would have been part of a consideration.

Yes. Then a spreadsheet or the A3 sheet attached to it at page 155 - - - ?---Yes.

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- - - seems to be the replanning which took place?---Yes.

You'll see on the left-hand side about two-thirds of the way down Queensland Health mentioned?---Yes.

Do you recall after the LATTICE payroll replacement, which is mentioned there in phase one, whether any of those things mentioned in phase one or two or three contemplated adding functionality, if you like, to the interim solution at that stage?---Well, that's what I was referring to when I said there would be a second project and that was the QHIC 2, so, yes, there was intended to be a supplementary project after.

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Yes. When you say QHIC 2, can you point on this document to what components comprise it?---No, I mean, the QHIC 2 itself would be that, which would in fact potentially have the online elements, but it could be all of those. I don't recall.

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Would it be something separate, though, a separate stage from the interim solution?---Absolutely; absolutely.

I see. Could I turn now to ask you about change request 184?---Yes.

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I'm just going to show you one document in that volume before we leave it which is relevant to that topic?---Yes, yes.

You were the executive director at the time change request 184 is agreed?---I was.

You don't sign the change request itself. That's done by Ms MacDonald?---That's true.

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Is that because it involved a payment to IBM of more than you had delegation to authorise?---And it was deemed to be very significant.

Yes, okay. But you nevertheless, I think, prepare a briefing note and - - -?---I do, yes.

- - - endorse, I think, the alteration?---As well.

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Could you turn to page 312 of that same volume before you. It's volume 8. This would appear to be your submission, I think, to the director-general about the proposed change? ---This is the one in March, yes.

Yes, 31 March 2009, and the recommendation is at page 314 with the DG endorsement approach was that one above and signed at and back to IBM?---That's right.

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I know there's a lot of correspondence which takes place between you and Mr Doak in the lead up to this change request. I don't really want to go through it all, but could you just very briefly summarise what as at 31 March was in your mind as the justification, if you like, for this particular change request?---The the justification is there on page 2 which is really to allow for the extension of user acceptance testing and some other testing that had to be done. It was also to compensate for additional costs incurred to IBM.

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Yes?---And certainly, you know, it is understood that IBM, you know, was doing work and there was a requirement to acknowledge that; a recognition that IBM was delivering additional scope and the intent was that this would be a commercial settlement. So this would take off the table

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this argument about scope and it would all revolve then around making sure that everything had to be done to paper (indistinct) it and to have a system that effectively managed pays.

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Yes?---Compensation for additional resources in recognition of the complexity, recognising that there was a need to do some additional work that potentially was not in scope and these payments were to be final payments. It was the intent to wrap it all up into a commercial settlement so that we could move forward then with confidence to resolve the issues and not have the constant question about scope and the attendant investigations and, you know, sort of negotiations that happened as a result of that.

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Can I ask you just a few questions about it. First of all, what was the component of this which constituted additional scope? Do you remember? Was it just the HR finance interface?---No. Look, it was intended to be an acknowledgment that there would be work required that was arguably out of scope. Not all of that had at that point been defined. Right? We're talking about March here. So not all of that had been defined and there was a recognition that there would be a body of work that justifiably would be subject to that definition, if this agreement wasn't put in place.

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Yes. You've said earlier to achieve the end obligation of having pays - - -?---Yes.

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How is that given expression then in the arrangements which are arrived at with IBM? Is that in the scope clarification?---It would be part of the scope clarification because the scope was certainly amended as a result of these change requests.

Yes. I'll take you to the clarification in a moment which comes as an annexure to change request 184?---Yes.

Are you saying really with this arrangement which becomes change request 184 that we shouldn't necessarily dissect it scientifically to work out what precisely is out of scope and in scope - - -?---Absolutely.

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- - - but really it's a global approach to try to resolve many complex persistent problems between the state and IBM about the project?---Absolutely.

COMMISSIONER: I thought Ms Berenyi said it was to resolve all outstanding disputes. Is that right?---Well, I mean, we didn't know what the disputes would be at this point, so it was to take that off the table and justifiably understand that anything that effected a correct pay was in scope and that then meant - plus obviously the things that

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were previously agreed. So I'm not saying that any previous agreements weren't retained, they were. This was taking the project forward not revisiting.

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MR FLANAGAN: Yes, yes. Can I take you to volume 9 please now. We can put that volume away. I want to take you please to page 128 of volume 9 which is the change request which is ultimately agreed?---Sorry, one two?

Eight?---128? Yes.

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I want to ask you just a few questions about aspects of this?---Sure.

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On the first page of the change request, do you see the initiating officer being Mr Malcolm Campbell?---Yes. 1

Now, why is a CorpTech officer here as the initiating officer?---The change request can be initiated by either the contract party, being us, or by IBM or by Queensland Health. Unless it was - we were bringing this forward.

Yes, so should we understand from Malcolm Campbell being the initiating officer that this somehow instigated by or advocated by CorpTech as a change that should be made? 10

---Well, I think most definitely the intent of the change request was a state written intent, it was agreed to by all parties but it was initiated in response to, I suppose, the way forward.

So turn the page would you, please, to page 129 - - -? ---Yes.

- - - to the heading just about halfway down the page "Program Government Schedule 22 and 22A"?---Yes. 20

Now, they were things which I think they're schedules to the original contract, the 2007 contract?---They are.

And they're schedules which were said to be things which were to be agreed within, I think it's 14 days or something, a short period after the contract was executed. Is that your understanding?---I believe so, yes. 30

It would appear, though, at this very late stage in mid-2009 they had not yet been agreed. Is that your understanding?---I wouldn't have that understanding. I mean, certainly schedule 22 deals with the governance board and those arrangements and we changed those. It wasn't that they weren't agreed, it was an agreed change. 2.50.15

Yes, I see. So what you're trying to do is impose here over the original schedules - - -?---We're trying to correct - yes, we're trying to make it current and contemporary to what was agreed. 40

Yes, and there's a project governance structure I'll come to. Then over the page, contract variation, section 7, you see that a third of the way down the page?---Yes.

There are certain things that are said on the LATTICE replacement scope to be agreed as being out of scope? ---Yes. 50

And the contractor has no obligation to give those out of scope claims?---That's right.

Why was it necessary to state what was out of scope if the scope documents had already defined - - -?---Because they're still with the HR/finance interface.

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Right?---Right? These three elements were in relation to the HR/finance interface, that was in dispute and so this clarified that and put them out of scope.

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Was it a correct description, do you think, to say they were out of scope?---They were agreeing not to be required to be delivered by IBM and Queensland Health put in place, you know, in terms of cost allocation, other processes in order to manage that.

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Yes, but to your knowledge was any hard analysis done, any scientific analysis whether these things were in fact in or out of scope, or were they things which had just proved impossible to resolve?---Well, I mean the parties certainly had multiple discussions, there's no doubt about that. Whether or not, you know, they couldn't just resolve it, I don't believe that to be the case. I believe it's also the case that, you know, the time, effort and complexity of the issues meant that resolving it wasn't necessarily able to be done in the time frame that existed. Certainly, Queensland Health was willing to take those out of scope.

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Page 131, that's the governance structure I think which then was to be instituted - - -?---That's right.

- - - or formalised, perhaps?---Yes, formalised. It was instituted on 2 April.

Page 134, please. There's some changes made to payment milestones - - -?---That's right.

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- - - including, I think, to give effect to the payments which are now to be made under this change request? ---That's right.

Then attached to this document is the scope clarification which begins at page 144?---Yes.

This was the way in which, would you have said, all matters in dispute were to be dealt with, is that right?---All matters in dispute were to be dealt with. This was certainly the document that was used to define scope, yes.

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And were you satisfied at the time that this document was the final expression of the matters which had previously been controversial about the scope of this project?---I was certainly advised so, I believed it to be, you know, expressing what we had intended.

Page 148?---Yes.

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There's some proposed changes to scope under section 2 - - -?---That's right.

- - - those changes, and the first one is finance integration with HR?---That's right. 1

And the two changes there are to, what, include in the scope those two things in that box?---Those two would be included, yes, and the other would be taken out.

Okay. And were they changes which involved much expense in having to be included, to your knowledge?---They had already been catered for in a previous change request, so we're just clarifying the scope of that change request. 10

So nothing in this change request was compensating IBM for those additional inclusions in scope, is that right? ---That's true.

The remainder of the document, this QHIC scope clarification, seemed to be about knowledge transfer, training, error handling, post go live support and so forth, but not about matters, on my layman's reading of it, which go to whether a pay might or might not be correct. Is that a wrong assessment of this document?---We had to - my understanding is that we included a body of material about support and transition, which is why there's a fair amount of detail in this. That potentially in the previous scope document, I would need to look at the previous scope document before I answered that question as to whether or not there should have been the changes in here. 20

Is there a particular part of change request 184 that we should look to, to understand those parts of the arrangement which were going to ensure that pay would be correct in the ultimately solution to be delivered, and by that I mean the interim solution?---Not all itself, no, it doesn't appear to be. 30

Would you just turn a bit further forward to page 170, please, which is as far as I can see an amended statement of work 8? In this version the changes are highlighted in yellow?---Yes. 40

There we see at page 174, the incorporation of those things which are said to be out of scope, cost allocation balance sheet and so forth?---Yes.

And then there's an alteration at page 194 I'd like to ask you about. I don't need to ask you about that page. Just in a general sense for a moment, the amount of this change request was very large relative to the initial contract price?---It was, it was 9 million. 50

You've said in your statement, I think, that it was a gross underestimation for this interim solution to be for an amount of 6 point whatever million and to involve - I think you say six months - but, anyway, at the time it initially

was estimated to be. Did that consideration bear upon the way you approached your approval of change request 184 and the payment to IBM of \$9 million?---Had bearing on it? Absolutely. In the discussions I had with Mal Grierson, it was on the basis that he understood that this was a complex project and that, you know, IBM, you know, sort of was working to deliver a solution that - certainly, Bill Doak made no, you know, left nobody in misunderstanding that IBM believed this project was costing them money and that, you know, we had to look at how we dealt with this going forward and actually, you know, resolved the delivery of the system in a time frame that was reasonable to meet the requirements of Queensland Health.

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Whether it was costing IBM money or not?---Yes.

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Yes. I want to suggest to you a bit beside the point?---it is beside the point to some degree but - I mean, we do have to acknowledge that IBM had to - you know, bring the resources to the table to deliver the work and you know, the other element as well is that, you know, we had to keep working with IBM and we didn't want to - we wanted a working relationship that would actually develop, you know, an end result.

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Yes. But you had IBM locked in, put aside for the moment locked in on what scope?---Yes, that's right. That's right.

You had them locked in at 6 point something million for this interim solution and you had them committing to a period at one stage anyway, one early stage of September 08 go live. If it was an underestimate by IBM, then wasn't the state entitled, nevertheless, to persist forward and say, "We have done a great deal and we're going to hold IBM to this arrangement," even if IBM has under-estimated the cost and duration that it would take?---My understanding is that the contract was for statement of works plus statement of scope, and statement of scope basically said that that was best estimate and there was a requirement to then go and do further analysis of that and look at what those costs might be and IBM did a checkpoint and that the result of really the state then saying, "Well, this is well and truly above what was envisaged," and that is why the scope was changed back to just - as I understand just to be the Queensland Health project.

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But there was always a fixed price for SOW8?---Yes.

So while there were best estimates to be converted to fixed price, SOW8 wasn't one in respect of which that it had to occur, so I'm really just restricting my question for a moment to SOW8 in respect of which there was a fixed price and suggesting to you that it was that fixed price and that time which was the dominant consideration for the state, not whether there had been an under-estimate, gross or otherwise, of time and money involved?---Yes, but when I came in, you know, the \$6 million was not \$6 million any more, it was well and truly in the order of - I think my statement talks about a number of change requests had happened prior to my coming in - - -

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Yes?-- - - - you know, so clearly, the exercise was not \$6 million in that sense.

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Yes. The project had already cost more than that?---That's exactly right, yes.

But none of the previous change requests had approached the amount of \$9 million in terms of a payment to IBM?---That is true. 1

Thank you, Ms Berenyi. That is the evidence of Ms Berenyi.

THE COMMISSIONER: Mr Kent?

MR KENT: Thank you, Commissioner. 10

Can I ask you briefly first, Ms Berenyi, about the contract management team that worked under you?---Yes.

And by that I mean see if we agree there is Mr Brown, Mr Campbell, Mr Bird, Mr Beeston - as far as you knew, where your lines of communication okay with the contract management team?---Yes it was, as far as I knew.

Through Mr Brown, was he your main conduit of information, Mr Brown?---Well, he was executive director so he naturally was the one who presented me with most of the information. 20

Did you become aware of any concerns that might be held by Beeston, Campbell and Bird?---No. This question was asked of me by the commission and my response is no, I was not aware of that.

Conversely, were you aware of any bottlenecks in the information process getting to you?---No. Things arrived in a timely manner. I had, as my statement says, an open door policy. I visited, you know, the floor where James Brown's office was and that was in a different building so, you know, it took me out, I spoke to people, I spoke to, you know, Malcolm Campbell and Chris Bird and John Beeston and at no time were those issues raised with me. 30

All right. Can I briefly touch on the topic of defects with you?---Yes.

You set out in your statement, I can take you to the paragraph if necessary but it may not be, as early as 2 April 2009 on the board, it was being communicated by Mr Gower that outstanding defects as of that point were going to be resolved as a prerequisite to entering UAT, that is before the final stage of user acceptance testing defects would be resolved?---Yes, I recall that in minutes. 40

Then you also discussed - I might refer you to your statement for this next question, paragraphs 105 and 106 of your statement. We're dealing there with some meetings both formal and informal in May of 2009 perhaps halfway through the negotiation that ends up in 184, I suppose. Is it fair to say those discussions that you describe in those two paragraphs, firstly the meeting in 105 on 12 May and 50

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then the board meeting of 19 May, these were as you perceived it a pragmatic approach to the way forward at that stage, trying to move things on?---We were keen - from the board's perspective, we were keen to understand what issues and defects existed that needed to be resolved before go live and these certainly at the board meeting of 19 May as it reported, the list of 78 issues that included nominally new work as well as defects were identified and Queensland Health did attest to the fact they were - there were no issues, there were no other issues that they were aware of at that point, more may have come out in UAT but at that point that was the body of work that had to be done.

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Conversely, it seems in your separate meeting described in paragraph 105 shortly after 12 May board meeting, you and Mr Kalimnios and Mr Doak, there was an acknowledgement that a number of go live problems which would previously be - down the scope would now be addressed by IBM?---Yes, you know, I can't remember the detail of who said what at that meeting but certainly the gist of that meeting was around understanding that we wanted a pay solution that delivered correct pays and you know, the issue of in scope and out scope was a problem so we needed to have a solution or a resolution of the parties that acknowledged that that was not going to be the case going forward.

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Is it fair to say that some concessions were being made by both sides?---Absolutely. Absolutely. It wasn't - you know, it wasn't, you know, the state but IBM was also acknowledging that they had to do a body of work.

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Now, you have been asked some questions by Mr Horton about scope and in particular change request 184?---Yes.

We are going to touch on it briefly?---All right.

Fair to say that it was concluded as I think you describe but really months of negotiation?---It was concluded - the months of negotiation really was more around months of discovery, all right, we wanted to understand what this was and not have it unpicked subsequently, all right, so it was important that we understood that and, you know, whilst a body of time passed, that we were all much better informed and much more committed to the outcome as a result of that time being put through.

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As you have described, the idea of it was to settle all the arguments to be able to go forward from that point?---That was the intentives.

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As you have described - as you perceived at least, the results of a government in the end of 184 was in a better position than IBM's opening position. Is that fair to say? ---That is my interpretation, yes.

And as you said a moment ago I think, by the time this concluded, everyone therefore better understood where they were than previously?---Absolutely.

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I just want to clarify one thing that you said to Mr Horton I think this afternoon and to do so, can I get you look at volume 5, do you still have that there? I will refer you to page 130. If you are taken to this, I will ask you some questions about it. What it says in about the middle of the page opposite the instructions to insert, it says, "The customer and contractor agree the following items are out of scope and the contractor has no obligation," et cetera and then eventually they are listed - cost allocation balance sheet (indistinct) I just want to make sure I understand the effect of what you said about this a bit earlier on. You have already said that this was a commercial negotiation I think that resulted in this?---It did, yes.

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Was there a concession there made in 184, that part of it, that those items were out of scope, which was a concession made as part of a negotiation rather than reflecting the government's previous understanding? In other words, was the concession to say that fair enough?---I don't know that I'd use the word "concession" but certainly it was part of the outcome of the negotiations and Queensland Health, you know, was certainly the one who had to approve those things being taken out of scope.

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All right. Could I ask you a couple of questions about testing and do you have your statement there?---Yes.

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Could I take you briefly to paragraph 159. I think you set out there, if my maths are correct, six separate testing regimes, which as you describe them were parallel to UAT 4 and critical to the decision to go live and the six seem to be a selection of the most critical of the processes. Have I got that right that that's what they were?---Yes.

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As you describe, they were all green except for - the results of them were all green - - -?---Yes.

- - - except one that was amber. Correct?---That's right. Yes.

Then to touch on the go live decision itself - - -? ---Sorry. Just before the amber one was in fact resolved.

That was resolved? Okay. It had, in any case, been deemed low risk?---Yes, yes, yes.

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All right?---Well, it was resolved before the go live decision, I should say, yes.

For the go live decision, let's say - and you set this out in some detail in your statement, but there were, in brief, board meetings through January 2010 to March - in May? ---Yes.

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Indeed, the day of - - - ?---The 14th.

- - - go live, I think?---The 14th.

The early morning of go live?---Yes.

Correct?---Yes.

And that considered a lot of material which you've set out in your statement. Did you yourself as a board member consider the matter correctly?---Absolutely.

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In particular, and I can take you to your statement if you need but I don't think I'll have to, do you recall the KJ Ross report of 27 January?---I do.

And the management response to that?---I do.

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And then a little bit later the report which, for shorthand purposes, I'll call it the Burns' report that was written perhaps by Mr Burns and Mr Shah?---I don't recall that report.

I'll just take you to that paragraph of your statement. If you look at paragraph 191, which is on page 42 of your statement?---Yes.

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That seems to be the meeting of 12 March?---Sorry. I meant that was the dashboard and then we recorded a report - sorry. I was thinking of it in the context of the KJ Ross report. I mean, it wasn't that type of report.

Okay. In any case, that was further material that you took into account?---Absolutely.

And there were criteria that the board had established for the decision to go forward and go live?---Yes.

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The criteria were met?---The advice coming up to the board was fairly full in terms of saying that - what a dashboard of each of those elements was presented and marked - show green.

I'll take you briefly to paragraph 211 which starts on page 46?---Yes.

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There and following you set out a number of factors which were taken into account by yourself and other - presumably other board members?---Certainly, they were taken into account by myself. My presumption is that others would have had their own list, but probably very similar.

All right. I'm not going to spend time on them, but the one that you mentioned at the end, subparagraph (e) starting on page 47 is LATTICE?---Yes.

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The express concern from Ms Jones and Mr Price was essentially the failure of the LATTICE system. Correct? ---Well, it was very challenging. There was a risk of failure. It hadn't happened, but they were concerned.

When you describe in your statement the unfolding of events post go live - - - ?---Yes.

- - - what happened after go live - - -?---Yes.

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- - - it's fair to say, is it, that some problems appeared after the first relatively successful pay runs, so at the very start relatively successful, but then problems started to appear. Correct?---That's true.

There was a warranty period under the contract?---Yes.

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Are you aware, as you understand it - did IBM honour their obligations under the warranty?---IBM had a requirement to support - the system wouldn't be accepted until three successful pays had been delivered and the government had accepted the system. IBM certainly had warranty responsibilities and that was to resolve issues within certain time frames and to also deliver on the defect management plan. IBM, to my understanding, and I'm not the best person to talk to about this level of detail, did not fulfil all of those obligations. It's not necessarily true to say that in and of itself they were in control of every agenda.

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All right. Could you summarise that by saying whether they met their warranty obligations or not?---Well, I think in my understanding, the answer to that would probably be no, not in its entirety.

But you're saying not all of it was in IBM's control? ---Well, that's also an observation I had.

20

You are aware of other organisations being recruited to assist in fixing some of the problems?---Absolutely; absolutely.

Including Infor?---Infor, yes, from Canada.

All right. Just finally, paragraph 228 of your statement, page 51 - - -?---Yes.

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- - - you say there in the third line, "The mantra that QHIC sent out to all managers and supervisors prior to go live was no roster no pay." I just want to ask you how much you personally know about that and this is what's being told to you by the managers of Queensland Health? ---It certainly is what's being told to me by the managers of Queensland Health and also by my management team who were managing the solution.

Okay. So it was realised in advance that this issue of rosters was a potential source of problems and something was done to manage it in advance. Correct?---Certainly my understanding is that Queensland Health had additional support people to address, you know, what they expected to be some - you know, the go live situation.

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All right. Yes, nothing further. Thank you.

COMMISSIONER: Thank you. Mr Traves?

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MR TRAVES: No questions, thank you.

COMMISSIONER: Mr Ambrose?

MR AMBROSE: Yes, thank you.

Can I ask you to go to your statement please at paragraph 47?---Yes.

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If you'd just read that to yourself for the moment, please? ---Yes.

I might ask you to continue reading to yourself to the end of paragraph 50, if you wouldn't mind?---Yes.

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Could the witness be shown, please, the email from Mr Kalimnios dated 17 August 2009? It's at volume 10, page 44. 1

Do you see that?---Yes.

Can I ask you to read that to yourself again, please?  
---Yes.

Now, at your paragraph 48, you say, "Mr Kalimnios also noted in his email, dated 18 August 2009, the need for Ms Doughty to maintain a holistic view." Do you see that?  
---Yes. 10

Am I right in thinking that you really intended to refer to the email of 17 August not the 18th, unless there's a second email that we haven't seen?---It is this email I was intending to refer to.

All right. In 48, that should really read "17 August". Is that right?---Yes, because it was certainly in terms of the overarching review, overview of it. 20

It's just that - go ahead?---I'm uncertain, I mean I certainly - there may well have been a subsequent email that affirm that, so I can't say for sure that it is only this one.

As I understand the sequence, and correct me if I'm wrong, you had a meeting with Mr Kalimnios - - -?---Yes. 30

- - - I think, on 17 August, and you wrote him a note setting out what you understood was discussed at that meeting?---Yes.

And you asked him whether that was a correct representation of what was said?---That's right.

He wrote this email back to you?---Yes. 40

Where he said in the first part, "Thanks for this. Yes, this is an accurate record of our discussion"?---Yes.

It's just that when I read this email from Mr Kalimnios, "I can't actually see the reference for the need for Ms Doughty to maintain a holistic view of the project's schedule of work"?---In and of this email, no, but then there was the record of our discussion and in that we did discuss the need to have continuity of knowledge and understanding because Amanda was leaving and Naomi, at that point, hadn't been - wasn't on board. 50

So if Ms Doughty was leaving, why would it be necessary for her to maintain a holistic view of a project?---She was the project manager, so whoever was in that project manager role would need to maintain that is what I'm saying.

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I understand that. It may have been that Mr Kalimnios, as I understand you, expressed that view in the meeting that you had on the 17th but not in this email of the 18th, is that what you're saying? 17th, I beg your pardon?---There is another email because absolutely - because it was - I recall seeing it in an email so - - -

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And I think I can help you?---All right.

In the bundle of the annexures to your statement, you do have this email trial?---Right, yes.

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If you can perhaps go to your statement you might be able to locate them. It's not paginated, or at least my copy isn't paginated so it's hard for me to direct it to you. Annexure 8, I'm told.

COMMISSIONER: Where are we looking at?

MR KENT: The annexures to Ms Berenyi's statement, 6B I'm now told.

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COMMISSIONER: Which one?

MR KENT: Tab 8, annexure 6B, I'm told.

COMMISSIONER: Tab 8 only has one page, and it's not an email. I suppose it's got two pages but neither is an email.

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MR KENT: Mine isn't tabbed or paginated.

COMMISSIONER: Try tab 6. 6A or B, Mr Kent?

MR FLANAGAN: The email I think you're talking about is at tab 6B, it's the email dated 18 August, and the relevant passage I think is in the third paragraph, "Michael agrees that the Queensland Health project manager needs to take on a whole of project view."

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MR KENT: Yes. Do you see that, Ms Berenyi?---I do see that paragraph, yes.

Mr Commissioner?---And that's an email - - -

Just excuse me for a minute. Mr Commissioner, have you found that?

COMMISSIONER: I've got the email 18 August from - - -? ---From Natalie McDonald?

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Yes. Now, where's the passage?

MR FLANAGAN: Third paragraph - - -

COMMISSIONER: Yes.

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MR FLANAGAN: Halfway down. 1

COMMISSIONER: Yes, thank you.

MR KENT: You've read that and it was contained in an email, but it was contained in an email from you to Natalie McDonald not Mr Kalimnios, as you have deposed to in paragraph 48?---I did, yes.

Is that right?---Yes. 10

So 48 should properly read, "You know that in your email of the 18th to Ms McDonald"?---That's right. That would have been part of the conversation that I had with Michael not part of the email.

I understand that?---Sorry, yes.

No, it's okay. Go over to paragraph 50?---Of my statement? 20

Of your statement, I beg your pardon?---Yes.

You say that you aimed to improve governance - - -?---Yes.

- - - in a number of ways. Do you see that?---Yes.

I want to take you, now, to another document which I hope you can help me with, it's also around about this date, 18 August 2009. Could the witness be shown, please, the document at volume 9, page 341? I beg your pardon, volume 10, at page 54?---54, yes. 30

This is a QHIC project position paper, it's distributed to QHIC board members, including yourself?---Yes.

And it's dated 18 August 2009, and it's presented by Mr Terry Burns?---Yes.

It consists of a table. I guess I'm trying to understand what this document means. Whose document is it for a start?---It's Terry Burns' document. 40

And is he working for - - -?---Terry Burns was an independent advisor working to Queensland Health, and he was the independent quality assurance advisor. He worked directly to Queensland Health.

So he prepares this document - - -?---That's true.

- - - and is it an expression of his opinion?---It is. 50

All right. It's distributed to the board, and what does the board do with it?---I mean, Terry - when was this, August - Terry would have been able to present any issues, major issues, that he had in relation to what he was observing.

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But what does the board do with this presentation?---Well, I mean, the board got this pretty much every week or every fortnight and it was an ongoing status report of the project and if there were issues then the board would be made aware of those issues and we would take actions as required to address those issues brought forward by Terry.

1

Does the board in any way agree or disagree with what's contained in position papers such as these?---Well, it provides a view and we were able to review this and if we thought there was an issue or that issue was brought to our attention that it wasn't being dealt with then we would potentially determine what action needed to happen.

10

Do I take it that if the board disagreed - - -?---Yes.

- - - with an assessment by Mr Burns, it would make that known in the minutes?---Well, I mean, certainly that would be my understanding. These weren't necessarily distributed as part of board papers. These were distributed to board members so, you know, it's not necessarily a direct correlation of every meeting we looked at this, but, yes.

20

See if you can help me - - - ?---Yes.

- - - what it means. It's in two parts. The first part is critical milestones required for go live. Do you see that? That's one of the first - - - ?---Yes, yes, yes, yes. Yes, yes, that's right.

30

And there were a number of topics?---There are, yes.

And then on the next sheet there's a heading Summary of all Major Measurements?---Yes.

What's the difference between the two?---The critical milestones were key dates or key deliverables, if you like, for the project and the summary of all major measures were really a number of the activities that had to happen in order to, you know, be considered at those milestone periods.

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All right?---So one is a more detailed set of activities and actions that had to be delivered.

Let's look at the first one. First of all, I should just ask you if you discussed the ratings, if you like. You've got under the headings Previous, Current and Forecast, various ratings of R, A and G?---R is red, A is amber and G is green. That's just really the dashboard, right, in case you had to have it printed on a black and white printer, that allowed you to at least understand what that was. All right?

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I think we know what they mean but - - -?---Sorry. My apologies.

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- - - if you could tell us please what does red mean when we see "red" beside a statement or a milestone?---Well, red would mean that there is an issue with that. 1

And G?---And G would mean that it's on track.

And amber?---Amber would mean that there's possibly an issue.

I want to suggest this description, if you don't mind? 10  
---Certainly.

Green means that the project is on track. Amber means that there are risks of issues affecting the project which are being controlled and red means that there are serious risks or issues affecting the project which require management attention?---That's right, yes.

Is that a more complete description as you understood what those terms meant?---I'd agree with that. Yes. 20

All right. The first one under Topics is solution functionality?---Yes.

What does that mean?---Solution functionality? It means, you know, that the solution has the required functionality, I would think. I mean, seriously, in terms of the labels that is my understanding of what that is, that the solution functionality is being delivered. 30

You would expect that the ratings given to it before go live would be G, G, G. You wouldn't expect any R, R, R? ---Before go live?

Yes?---This isn't before go live.

This is before go live. This is 18 August 2009?---Yes. That's 18 August 2009.

Yes?---That's not the go live decision. 40

I didn't say it was the go live decision?---No, no, sorry. Yes, okay.

I'm saying when you come to go live, you'd expect the solution, the interim solution, to be fully functional, so you'd expect to see a rating of G, G, G at go live date? ---At go live date you'd expect to see G's or a clear understanding of how risks are being managed if it's an amber. Yes. 50

I understand that. So what I want to take you to is on the second sheet under this critical milestone the heading or the topic, "Contract and governance"?---Yes.

The ratings that are given to it are for the previous period it was amber?---Yes. 1

But the current period is green or good of ready to go and the forecast again is green. Is that right?---That's what it says, yes.

What does that mean? What's your understanding of those ratings given from past, current and forecast so far as the contract and governance were concerned?---I can't assess from here exactly what was happening around that time because this is very contextual to what was happening at that point in time and the project life cycle. Certainly, in terms of contract and governance, previous means the previous report. Right? Current is the current period and forecast is the one coming up. 10

In a general sense would you agree that is likely to suggest that in the previous report there may have been some - or there were some issues that needed to be managed, but by the time of this date, 18 August, they had gone away so far as the contract and governance was concerned and - - -?---That's right. 20

- - - it was green or ready to go or - - - ?---Yes.

- - - as good as it could be under the scheme and there was - - -?---That was Terry's, yes.

It was expected that it would continue in the green so far as the contract and governance was concerned for the future period?---Well, as long as something didn't happen to change that. 30

That's right. That's right. I'll take you down to the next part, the summary of all major measurements?---Yes.

I beg your pardon. I should ask you one more question. What did you understand to be the topic Contract and Governance?---Well, contract and governance? Contract would be the contract, so in other words, you know, change requests and all of that would be embodied, I presume, in the contract issue and governance would be, you know - is the governance approach working? So, in other words, the board, the project directorate, you know, those sorts of things. 40

Would it suggest that for that current period it was perceived that there were no problems with the contract, what the terms of the contract were, and there were no perceived problems with its governance?---I don't know that I would be in a position to say that's what Terry meant that there was no perceived problems with the contract, but certainly contracts with management would be what I would be thinking he would be talking about is in hand - would be what I would be saying. 50

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And governance?---And governance is in hand and working because it's being managed at the board level as the comment at the side so - - - **1**

I take you over the page under the Summary of all Major Measurements. You've got a section there called Governance and, again, that's A, G, G?---Yes.

A for the previous period?---Nothing to report, yes. That's right. **10**

Can we just test this, if you don't mind, by my asking you to - - -?---Please, yes.

- - - look at another document?---Yes.

It's in volume 9 at page 314?---Yes.

This, again, is a position paper but this time it's presented by Mr Adrian Shea?---Yes. **20**

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It appears to have been presented on 22 July 2009?---the fact that it says, "presented by Adrian Shea", it's of the same format and intent as the Terry Burns, I would not necessarily understand that this would be Adrian's work.

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Right?---You would have to ask Adrian that question.

I understand, but just looking at the matters that we have looked at before, under "solution functionality", it's red, red, red. Do you see that?---Yes.

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And at about that time, 22 July, under contract and governance, again, it's red, red, red?---Yes.

Would that suggest to you in a general sense that there was a perception as at 22 July 2009 that there were certainly issues with the solution functionality?---It in fact doesn't say that.

What does red, red, red mean beside solution functionality? ---Sorry, that's the comment. The comments say, "All critical functionality requirements are met."

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Then why is it red, red, red?---It could well be the cause of the defect status and the fact that the defect status hasn't changed so it's not necessarily that the functionality has been met.

I see. So far as the solution is concerned, it's not complete, it's not a complete solution?---Absolutely, yes.

30

Which might explain why it's red?---It could well, it could well.

So if you go over the page to the contracting governance?---Yes.

And again, that's red, red, red. Does that suggest that there's a perception that as at the date of this, 22 July, only the month before that there were perceived problems with the contract and the governance?---I can see in the comments governance change has been implemented, the project directorate, that is the conversation that I had with Michael Kalimnios to in fact put James Brown as the chair of the governance board, Tony Price was no longer chair, he was a member. It talks about that just being implemented, you know, so my sense is that, you know, whilst there has been some changes, it probably hasn't yet resolved the issues there.

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Okay. So if we look at these position papers and I don't intend to take you to all of them, but in terms of understanding whether there were perceptions about problems with governance, this will give us some indication of whether there were such problems through those periods, at

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least - - -?---It gave us some indication and it also some of the actions that were taken to address them, but not all. 1

No. I will just take you to a couple more, if I may. Can I take you to volume 10 at page 183?---Yes.

That would suggest, wouldn't it, that contract and governance had improved - I think there's green, green, green?---Yes. 10

But the solution functionality remained at amber, amber, amber. Again, that is something from the red, red, red? ---Exactly. The risk was being managed.

That's right. I will ask you to have a look at volume 11 at page 306. There seems to have been a slight change so far as the contract of governance was concerned, it has gone to GAA, it has gone from green to amber for the current period?---That's what it says, yes. 20

But all that really means is that an issue arose which was dealt with?---It is being dealt with.

Being dealt with?---Being dealt with, yes.

And when it goes back to GGG, we can assume that it has been dealt with successfully?---In Terry's view, yes.

In the board's view as well?---No, that's right. He was an independent assessor of that situation, yes. 30

But if you listen to my question; it would also be the board's view unless the board disagreed with it and we could see the board minute (indistinct) with that assessment?---Yes, it was discussed with the board, yes. Not all of them were discussed at the board.

If you read these and these were presented to you and you didn't disagree with it, you may not discuss it with the board. If you did disagree with it, you would surely discuss it?---That would be my expectation, yes. 40

All right. So I can take you to a couple more at volume 1, page 162. The contract and governance has gone back to GGG as a critical milestone?---Yes.

In that second part of the measurement, in the second part of the document, the summary of all major measurements, you can see governance there is also reported as green, green, green. 50

THE COMMISSIONER: Mr Ambrose, where is this taking us?

MR AMBROSE: It's taking us to the issue that Mr Reid gave evidence of. He understood that all things were being managed and managed properly during this period up to the half of 2009, if there was a problem that it was being managed but otherwise he had no information or any problem with governance. **1**

THE COMMISSIONER: I understand.

MR AMBROSE: I will take you to the last document that I think was given to the board. It's at volume 14 at 409. This is dated 23 February 2010?---Yes. **10**

And so far as the contract and governance was concerned, again it was green, green, green?---Yes.

The documents would speak for themselves but I suggest to you that that rating hadn't changed from December 2009 until 23 February. There were no issues, in other words no problems, no complaints about governance?---Well, no issues that Terry brought - that's right. **20**

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Or that the board - - -?---No, that's right, that's right. 1

- - - believed existed? I wanted to ask you about those documents. Can I take you back, please to the email from Michael Kalimnios, 17 August 2009? It's at volume 10, page 44. Is it fair to say that what you understood from your discussion with Mr Kalimnios was, and this email, the concerns he was expressing at that time were to do with personalities and how they are interacting as between Health and IBM, perhaps? One issue was that?---Well, I can certainly, you know, there were tense times throughout this project, yes. 10

Another matter that concerned him was the question of delay, that seems to be the substance of the two middle large paragraphs?---Yes.

Finally, the last paragraph, he's trying to find someone who signed off on something. Do you see that?---Yeah. 20

He's not expressing any concerns to you about any governance problems as between CorpTech and Queensland Health, is he?---Not in this email, no.

All right. Towards the latter half of 2009, I suggest to you that you didn't perceive that Queensland Health had any complaint about any lack of project management methodology? ---Sorry, can you repeat the question?

I suggest to you that in the latter half of 2009 Queensland Health did not indicate to you that it had any complaint with CorpTech about any lack of project management methodology?---Of who? 30

Complaint against CorpTech about any lack of project management, mismanagement of the project of the interim solution?---Project management, if we're talking the same language, project management is largely a responsibility of IBM and Queensland Health. Are we talking the same, project management methodology? 40

Well, I was suggesting that CorpTech might be involved in the management of the project it being the contractual party?---Involved with the management of the contract?

Yes?---Yes, not necessarily the project per se.

Insofar as the contract is concerned, you weren't aware that Queensland Health were expressing any concerns about CorpTech's management of the contract?---In the latter part of 2009, my belief is that Michael would have had conversations with me if he was concerned about contracts. 50

Did he express any concern to you in the latter half of 2009 of any lack of adequate skill and resources provided by IBM?---I can't recall.

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It's something you would recall, surely?---We had conversations - I mean, we did have conversations with IBM around - and they were part of the meetings that we had around the ability to deliver on the work.

1

Yes?---So, yes, to that extent there would have been conversations around, you know, resources et cetera, but as to whether or not Michael was the instigator of those I'm not certain. Certainly, there would have been conversations, yes.

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They would have been, if they'd occurred, if there were problems, they would have been worked through?---Certainly. I mean, we met with IBM on a number of occasions and they were certainly, you know, the tenure of the conversations was about needing to make sure we all delivered what we had to deliver.

Are you aware of any complaint by Queensland Health in this latter part of 2009 of a suggested critical failure of governance to ensure Queensland Health's business needs were met?---I can't recall any complaint of that type. I mean, certainly Michael at points in times was frustrated, there's no doubt about that, I think you could argue that we were all frustrated at points in times in this project. At other points, you know, he certainly indicated that if he could he would, he'd get out, but, you know, the reality probably was that we couldn't and he acknowledged that and we had to go forward.

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Finally, if you could have a look at your statement, please, at paragraph 245. It's at page 54?---Yes.

No doubt the director-general, Mr Grierson, and the acting director-general did communicate regularly with their counterpart at Queensland Health at various times. You don't know what they may have spoken about?---Not at all, no.

Insofar as payroll is concerned and/or any concerns that Queensland Health had, can I suggest to you that the director-general of Works and the director-general of Health met twice over two years you couldn't dispute that?--I couldn't dispute that, no.

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Thank you.

COMMISSIONER: Mr Sullivan, I take it (indistinct) indicates you've got no questions.

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MR SULLIVAN: I have no questions.

COMMISSIONER: All right. Mr Doyle?

MR DOYLE: Thank you. Ms Berenyi, can I start with a general proposition? You knew that before the IBM replacement of LATTICE, LATTICE had the risk of being unsupported looming at a date that we need not talk about? ---I can understand that, yes.

1

And it was effecting the payroll, the payment of the payroll, supported by a number of other systems, yes? Let me put it differently. The payroll system of Queensland Health under the LATTICE regime comprised the LATTICE system, lots of other IT systems - - -?---Absolutely, yes.

10

- - - and a couple hundred workarounds?---Yes, that's my understanding.

Thank you. You came to understand that what - and we'll go to some details about it shortly - but what was to happen on the interim replacement project, the QHIC project, was to provide a replacement of then payroll component of that overall system, yes? You're nodding?---Yes.

20

Not to deal with the other systems, except to some limited extent which we probably need not worry about?---Well, I mean to the extent that I understand, Queensland had agreed to that, yes.

I'll come to the documents. And not to produce a payroll system which was fully automated, that is, there would still be a requirement for workarounds?---They were a requirement that Queensland Health accepted, a number of workarounds, yes.

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So that the concept - - -

COMMISSIONER: No, you might be at cross-purposes. Mr Doyle's speaking at the inception of the replacement program not at the end?---I do not know what the intent was at the exception, I only came to understand from my conversations with people when I came in, in February 2009.

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MR DOYLE: Okay, well that'll do for now. When you came in, in February 2009, you understood what was then being contemplated as provided was something which would include a number of workarounds?---That is my understanding, that there were going to be workarounds, yes.

Do you recall the number?---I don't.

Okay?---Somewhere in the order of about 30, but I don't know. That seems to be a number that pops into my brain.

50

Not greater than 100 anyway would be your recollection? Does a figure of 42 ring a bell?---I honestly can't confirm that. I'd have to look at that to be sure.

Never mind. And by the time you came in in February 2009, you knew that there had been a change of the original arrangements to do something about HR and finance integration?---Yes. 1

Which was effected, at least to that point, by change requests 60 and 61?---That's right, yes.

Which you read, no doubt, when you came in?---Yes. 10

You knew that there had been initially a process of identifying the scope of what IBM was to do and that that had had its articulation in the QHIC scope definition document?---I knew that, yes.

And the date had been agreed?---That had been accepted, yes.

And accepted by CorpTech before you arrived?---Yes, yes. 20

And that there was a process by which - I'm sorry, I'll start again. That document itself was a deliverable under statement of work 7, as you understood it?---Yes.

And it was incorporated into statement of work 8 as the thing to be done pursuant to statement of work 8?---That's my understanding, yes.

You also understood that there were changes to the contractual arrangements between IBM and CorpTech effected by change requests?---Yes. 30

That was the means by which changes to the contract were effected?---Yes.

The only means. Yes?---That's my understanding.

And that there was a process by which someone - it could be either CorpTech or Queensland Health or IBM - would initiate a change request?---Yes. 40

It was subjected to examination by whomever and then ultimately approved?---Yes.

That was the system for changing the contract for the whole of the period that IBM was involved in the LATTICE replacement program?---Yes.

Thank you. You know as well when you became informed in February 2009 that the form of the change requests that had been signed to that time included in some instances the statement of the reasons for the change requests; probably in every case?---Yes. 50

And a statement of some of the history of what gave rise to those reasons. Yes?---Yes.

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BERENYI, M. XXN

That, by and large, was the process which was carried forward under your stewardship?---That's true. Yes, there was a statement of reason.

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And in some instances it was a statement of the background, if you like, which gave rise to those reasons?---Yes, some.

Part of the process within CorpTech for the approval of the change requests was that it would go to the SPO for consideration?---There was a change process in the contract. Yes, it would go to the SPO or to the contracts team once the SPO wasn't around.

10

So it would go to the SPO or someone who took their place? ---Yes.

You are complimentary of your view of their skills and diligence in your statement?---I am.

That you can be confident and the commissioner can be confident that they would have carefully considered the terms of the various change requests that were agreed to that they were involved in approving?---That is the impression I got, yes, and that is my belief.

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You know from what you were told when you joined and, indeed, from your own experience - - - ?---Yes.

- - - that even though the QHIC scope document had been accepted and even though there were approved change requests, there were further requests by Queensland Health for additional functionality or additional services. You know that, don't you?---I do know that there were new requirements. Yes.

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Yes. Do you have there the volume of your attachments to your statement?---Yes.

We haven't been blessed with tabs, but I think it's attachment 2 to yours. Is that a modified version of statement of work 8?---It is.

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Which is dated 13 March. This one is not actually signed and this is not actually an approved document. That's so, isn't it? You're nodding. You have got to agree with me? ---Well, I mean, it's not signed and it's not dated so I agree that it's probably not the latest document.

Nonetheless, it's one of the ones that you give as an example - - -?---It's illustrative. It's illustrative, yes.

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Illustrative. Thank you. Would you mind going to page 4 of it, that is 4 of 24 on my version?---Yes.

Do you have that?---Yes.

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BERENYI, M. XXN

This is as amended, if you like, the original statement of work 8 with some things which have been introduced subsequently. That's right?---Yes. 1

And paragraph 1.1 identifies changes to scope, doesn't it? ---Yes, yes.

And various identified changes which have occurred really prior to March 2009 and it identifies in some instances the cause of that change?---Yes. 10

You'd accept, wouldn't you, that a number of them are identified as the additional requirements not previously identified by Queensland Health?---Yes.

Can you tell me please who drafted this document or this part of this document?---It would have been drafted by the contracts group and I'm uncertain as to who does it. Malcolm Campbell may have had something to do with it. 20

Probably his group, it came to you and you read it?---Yes.

Is that how we should understand it?---Yes.

All right. Could you turn to page 5. They have listed the various approved change requests which have been made since the original statement of work 8 - - -?---Yes.

- - - up to the date of this document?---Yes. 30

Indeed, it includes change request 184?---Which at that point hadn't been finalised.

It hadn't been finalised, but it was a long time in gestation?---It was intended. It was intended. Yes, it was intended. Yes.

It was under discussion - - -?---Yes.

- - - from at least February 2009 up to when it was actually signed off?---It was, yes. 40

It and the issues that you've raised?---Yes.

Thanks. Can I ask you to take up now - just excuse me - volume 9 of the tender bundle and I'm going to ask you about page 37?---37?

37?---Thank you. 50

To which you've already gone, but I want, Ms Berenyi, just for the moment concentrate on what I'm going to ask you, please. There was some testing going on at that stage? ---Yes.

Yes?---Yes.

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And it was identifying what was said to be issues?---Yes. 1

Some people were calling them defects. That's right, isn't it?---Probably a combination of issues and defects, yes.

I'll put a proposition and you tell me if you agree with it. There were things which were being called defects which could either be the result of an inadequate testing script or testing regime or an actual fault in the functionality as constructed by IBM or something which someone would have liked to have had included in the functionality but hadn't, a scope change question, and there was controversy at the time, as you know, about those things. The things being identified as defects were in fact one or more of those different categories that I mentioned to you?---Yes. 10

Yes?---Yes.

Even identified as a defect was a controversy about the severity of it, how important a defect it was, whether it's severity 1, severity 2, severity 3 and so on. Do you recall that?---Well, I mean, they were assigned a severity and that was then a matter of discussion with these - - - 20

Yes?---Yes.

The discussion was not to say, "Oh, yes, that's right," there was in fact discussion where one person was saying, "It should be a different level of severity"?---That was happening in part, yes. 30

Okay. That was occupying a lot of time and taking people away from doing what everyone wanted to have happen, that is the program move towards go live?---Certainly it took time, yes.

And it must follow, distracting people from advancing the program?---I'm uncertain whether or not it was the same people involved in the discussions about defects as would be involved in advancing the program. 40

Okay. Never mind?---So I'm uncertain.

If we look please at page 37, and you've been taken to this before. This was a meeting on 27 April 2009?---Yes.

Under the heading Governance Board Arrangements, the first thing that's discussed is something about a change request for which an additional payment of 100,000 was estimated to be made?---Yes. 50

That was said to be acceptable. Do you see?---Yes.

You know ultimately that became effected in change request 194?---That's right.

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And then there's discussion in the next two paragraphs about the topic of what ultimately became wrapped up in change request 184?---Yes. 1

Before this meeting and indeed after this meeting, there were proposals being advanced by different points of view being advanced by IBM and CorpTech or Queensland Health about what should happen?---Sorry, can you be more specific? 10

There were disputes about whether things which were identified as defects were defects or out of scope or testing errors - - -?---Yes.

- - - those sorts of things?---Yes.

There were discussions about the level of functionality to be provided in the HR/finance integration?---Yes.

And a few other things which were ongoing negotiations between the parties, probably starting with a delay notice back in August the preceding year?---I'm uncertain. 20

You're uncertain?---Certainly, it was in, I would suggest, you know, since I was there, absolutely.

That'll do for now. From late February onwards there was discussion about a raft of issues, yes, and there were attempts to negotiate a resolution of those raft of issues, yes?---Yes. 30

Yes is good. Ultimately, there were different points of view and different proposals being advanced which led to a change being affected by change request 184?---That's right.

The discussion which is referred to here is part of that exchange?---It is, yes.

At that stage, there's talk of Queensland Health agreeing to pay an additional \$5 million - - -?---That's right. 40

- - - ultimately for reasons we probably don't need to go into. The sum which was paid was an additional \$9 million? ---That's right, yes.

And there were other things discussed which affected, and I'll come back to, whether that 9 million was a reasonable figure or not - - -?---Yes. 50

- - - that one that you ultimately accepted as being a reasonable compromised, yes?---That's true, yes.

All right. What this contemplates, then, and would have, I suppose, been discussed that whatever is referred to here

would be signed off and documented in a change request at some stage?---That would be the intent, yes. 1

And everyone would have known that it would need to be a finalised arrangement articulated in the change request? ---For it to take action, yes, that effect.

Putting that aside, would you just help me please, it says, "Following a lengthy discussion on this matter, it was agreed with IBM that any error that caused a pay to be incorrectly fixed." There was discussion, was there, of things which the testing identified as an error. Yes?---I would hazard that's true, yes. 10

I'm asking you for your recollection of the conversations as you can recall it?---Yes.

I'll try to out it compendiously?---Yeah.

The conversation was: if the testing identified something as an error and if it affects pay - - -?---Pay, yes. 20

- - - IBM said that it would, subject to signing up the change request, IBM said it would get on and fix it whether or not it was truly within scope?---Yes, that was the change request, yes.

And that's what they said they were prepared to do?---Yes.

As far as you know, in good faith proceeded to do that ahead of even then signing off of change request 184 a couple of months later?---I wouldn't necessarily agree with that statement. Certainly, there were still conversations around what was in scope and out of scope until we understood what the body of work was, and after that point of time I'd say, "Yes, there was probably a commitment to do that." 30

All right. After a little bit more - - -?---So it's a little bit longer than is here. 40

After a bit more tooting and froing, and ahead of the actual contract change, IBM went ahead and did what was said here it would do. Is that right?---I'd hazard it was in concert with contract change, but I mean everybody was working in good faith to progress the project.

Very good, thank you. Just excuse me. Would you turn, please, to page 82 of that book? This is a meeting a couple of weeks later?---Yes. 50

12 May?---Yes.

In the middle of the page you'll see there's a page which is almost certainly highlighted in your copy?---Yes.

It's agreed? Have you read that?---Yes.

1

This too was a discussion about really ignoring the names which people gave to things and look at the underlying substance of the impact of the thing - - -?---Yes.

- - - to see whether it would impact upon a go live decision?---Whether it would impact on an incorrect pay, yes, that's right.

10

Very good, thank you. Can I take you, then, to change request 184, it's in that volume at page 128? ---Sorry, 128?

Sorry, I meant to say 184, at page 128?---Okay, yep.

Would you turn, please, to page 130 - - -?---Yes.

- - - which you've been taken to earlier by Mr Horton, I think?---Yes.

20

About point 3 of the page, the form of this change request is to delete or insert things into an earlier version of a document, that's as you understood it?---Yes.

And the section I'm looking at here is to insert under the heading "Contract Variation", to insert something in the section which deals with scope?---Yes.

The first thing it does is to record and agreement that certain things are out of scope. Do you see that?---Yes.

30

But then it contemplates expressly that there may be some later change even to that, yes?---Yes.

And that would be dealt with by a change request, if that occurred. Yes?---Yes.

Then it goes on, and this is correct isn't it, it goes on to say, "In all other respects, the scope of the replacement solution remains," and then lists various documents which record it?---Yes.

40

And that was your understanding at the time this was entered into?---Yes.

Thank you. Now, would you turn across to page 134, we're still in the same document. In the milestones part of what would have been statement of work 8, there would have been a different table and it's been removed and this one replaced. That's as we should understand it?---That's right.

50

This includes, doesn't it, an alteration of the entry into user acceptance requirements, testing requirements? ---Sorry, an alteration?

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I put it badly. This table contains a description of the acceptance criteria for entry into user acceptance testing?  
---It does, yes.

1

And that criteria is that there be no severity 1 or 2 defects as determined by the project board?---That's right.

And that reflects, does it, an attempt to overcome the use of the pejorative language that might have been previously used and to say in effect, "It'll be up to the project board to determine the acceptance requirements for entry into user acceptance testing"?---Well, that is one element, or the other is that there is no severity 1 or 2.

10

Rather than none, in which case we don't have to worry about what the project board determines, or if there are its to be made - a judgement to be made by the project board?---The project board can make a judgement, yes.

Similarly, under the go live acceptance provisions, you see the commencement of go live?---Yes.

20

Just read that to yourself, but you know that represents an amendment to what had been in the original statement of work 8, commencement of go live acceptance criteria prior to change request 184?---Yes, that's a change; yep.

We can all read what it says, thank you. Would you turn in that volume next, please, to the QHIC scope clarification at 144, again, which my learned friend took you to?---Yes.

30

At page 148 it tells us that the purpose of this document is to clarify the scope. Yes?---Yes.

And one of the things that it does to do that is to say something about the HR finance integration in clause 2.2.6?  
---It does, yes.

40

50

I think you had said that the two items which were identified in the table in the middle, that is staff movements and end of month accruals, et cetera, had been the subject of other change requests?---I thought they had.

1

You can't recall?---I know that HR finance integration had been the subject of previous ones. As to whether or not this in detail was I'm uncertain, but certainly these two now were absolutely in scope.

10

That's what I want to put to you, that really they hadn't been dealt with in earlier change requests. Indeed, if they had been, it wouldn't be necessary to provide for it here?---It may. It may be necessary if this changed the definition of what was in scope previously.

Okay. Thank you. All right. That will do. Then there's some other small scope provision in 2.2.7 and a raft of provisions dealing with testing and so on that I probably needn't trouble you with?---Yes.

20

The other applicable document commences at paragraph 170 and should we understand it that it, too, is part of what's, if you like, changed at the time of change request 184 - - -?---Yes.

- - - and the changes are those which are highlighted in the document?---Yes.

All of that represents the fulfilment of the negotiations which have taken place between IBM and the government, that is CorpTech or Queensland Health commencing at least in February 2009 and concluding on 26 June 2009 with change request 184?---Yes.

30

One would look then to the QHIC scope document plus this and any other change requests to determine what it is that's to be provided. Yes?---Yes.

Thank you. There were in fact subsequent changes, were there not?---There were.

40

I want to take you in the exhibits in your statement to annexure 5A which should be notes of a meeting on Thursday, 16 July 2009 - - - ?---Yes.

- - - because they were after change request 184?---Yes.

You're shown as not being there, but I take it you would have received the details of this?---Yes, I would have. I would have received it and reviewed it for the next board meeting.

50

Very good. Would you turn to page 2 of it please. You'll see there's a discussion against the column Workbrain and particularly in the second row about the figure 6000 users and 3000 users - 600 users, sorry, and then - - -?---Yes, yes. 1

- - - 3000 users. Just note that as being something that was discussed at that meeting?---Yes.

But also you'll see further down the requirements traceability matrix?---Yes. 10

You were asked some questions about this by Mr Horton, I believe?---Yes.

You knew that IBM had such a document?---I knew IBM had a document, yes.

And it was using it for its own purposes?---Well, that was my understanding, yes. 20

If they had it, they're likely to be using it, you would accept?---I mean, exactly.

Very good?---They're managing the project.

You knew that the question of it being used by Queensland Health was raised?---Yes.

And there was some resistance by Queensland Health to using it if it was meant to be binding in some way on them?---I didn't interpret it that way. I mean, this was brought up at a board meeting before this one and it wasn't so much that they were resistant, IBM at that point asked for Queensland Health to be engaged to verify information and things like that and they didn't have the resources at that time to dedicate to do that task, so I don't know that resistance is the right word. 30

Let me put it this way: because, as you recall it, Queensland Health didn't have the resources to check whether what was in it was right - - -?---Yes. 40

- - - it didn't want to agree to it. Is that a fair way of putting it?---Well, I think that's true. It would not agree with it if it didn't validate it.

Very good. That topic was discussed and it was agreed that it would not be a contractual document?---Well, it was never going to be a contractual document. 50

Very good. Turn to the next page, please?---The next page as in - - -

The next page of that volume. Sorry. It's probably tab 5B in yours?---Okay. Yes.

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Thanks?---Yes. 1

It was an associate director-general briefing?---Yes.

And at the bottom it's got "endorsement" and your name there?---Yes.

Does that mean you've approved it?---It does.

Very good. Just look at the third dot point, "Queensland Health has raised"?---Yes. 10

Then the fourth dot point, "IBM has stated that specification was agreed with Queensland Health is for 600 concurrent users." Do you see that?---Yes.

That's a reflection of the topic, at least, that you know was discussed at the meeting on 16 July?---Yes.

Then just read the next paragraph to yourself, "Queensland Health business model has changed since the commencement of the project," and so on?---Yes. 20

Just on that dot point, can you tell me please what - can you explain the nature of the change of the business model?---The business model, as I understand it, was that they had intended to centralise the processing of rosters and they then determined that probably wasn't the best way to do it so they wanted to create hubs, processing hubs, and that would mean then that additional people would be required to have access to Workbrain in order to process. 30

So it's a change from having centralised payroll treatment at Brisbane or at some other major locations - - -?---Yes.

- - - to something more distributed?---Yes.

Okay. Just read the next paragraph:

*The concurrent users discussion -* 40

that's a discussion about the change from 600 to 3000? ---Yes, yes.

*Is another example of requirements not being adequately defined and sufficiently communicated by Queensland Health so that all parties have a common understanding of the system's scope, this lack of clarity in scope makes it extremely difficult to pursue IBM over delays or performance issues relating to the project.* 50

That's a view you held or, at least, agreed with?---It certainly is in relation to that particular dot point above. There's no doubt about that. That was a fairly significant change.

It's identified not as being unique, but as another example of that kind of thing?---Yes. 1

Thanks. You can put that aside now, thanks. You were asked some questions about the integrated schedule or an integrated schedule for the QHIC project element of the overall project?---Yes, yes.

Can I suggest to you that - I'll show you this email, if I might. The suggestion I'm going to make is that by 15 April 2009 IBM had provided to you an integrated schedule. I'll let you read it and I'll ask you some questions about it?---Yes. 10

Does that refresh your memory that in fact they provided you with an integrated schedule which includes their tasks and the QHEST CorpTech dependencies?---That may be the case, but when we quizzed this at the project board subsequently later and I can't recall exactly the date. That schedule was not available or was not maintained or for whatever reason there was not a confidence that it could be used. 20

I see. So your recollection now is you've got one - - -? ---No, no. This email - I do not recall having seen an integrated schedule.

Okay?---But, you know, I mean the email would appear to say that there may have been something distributed. 30

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Right. We'll print it out if we need to, it's 720 pages on A4 if we do that, but it accompanies the email and the reason I haven't printed it out to date. Whether you can recall it, you can't say that you didn't receive the schedule which accompanied this email?---I can't say I didn't receive it, but then I can't say why at the board meeting we then determined that there was not an appropriate integrated schedule. And we spent a number of workshops getting an integrated schedule together.

1  
10

So you actually worked on achieving one?---Well, there was a workshop and in my statement I talk about that, but I can't recall the appropriate paragraph but we do talk about that.

All right. I'll tender that email, the sample of the accompanying pages.

COMMISSIONER: All right. Exhibit 114 is Mr Gower's email to Ms Berenyi and others of 15 April 2009.

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ADMITTED AND MARKED: "EXHIBIT 114"

MR DOYLE: Thank you. Only two more topics, Ms Berenyi. You were asked about this question, that the price went from a fixed price of 6 odd million to a figure of about 19 million?---Yes.

With the project taking more time than might have been contemplated originally. It is right to say, isn't it, that both the changes in time and the changes in cost are covered by approved change requests in every respect? ---That's true.

30

And that in every case those changes went through a process of revision, analysis within CorpTech and within Queensland Health. Yes?---That's true.

Prior to it being recommended that it be acceptable?---Yes.

40

In some instances they were changes which were initiated by Queensland Health or CorpTech?---Yes.

Thank you. Finally, you were asked by Mr Kent a question about whether IBM performed its warranty obligations, do you recall that topic?---I do.

In part, your answer included something to this effect, that you weren't suggesting or it wasn't the case that IBM was in control of the whole agenda or something like that. Do you recall that?---I do recall saying that, yes.

50

Are you conveying the notion that other things intervened and may have, to some extent, prevented them from doing what would otherwise be compliance with their warranty

obligations?---What I'm indicating is that post go live it was a relatively turbulent environment, I think as we all would understand. The initial period post go live was less turbulent and, you know, there was a requirement for IBM to still meet that. Even after, you know, a lot of the efforts was taken by CorpTech and by Queensland Health in terms of responding to the queries raised by Queensland Health staff and the processing requirements of that. So, you know, there certainly was turbulence which would have impacted the work agendas of all parties, I would have thought.

All right. Thank you. I have nothing further.

COMMISSIONER: Thank you. Ms Downs?

MS DOWNS: No questions, Mr Commissioner.

COMMISSIONER: Mr Horton?

MR HORTON: No questions, Mr Commissioner.

COMMISSIONER: Aren't you all dear people. Ms Berenyi, thank you very much for your assistance?---Thank you very much.

You're free to go.

WITNESS WITHDREW

COMMISSIONER: We'll adjourn, now, until Monday?

MR HORTON: Yes, Mr Commissioner.

COMMISSIONER: At 10 o'clock?

MR HORTON: Yes.

THE COMMISSION ADJOURNED AT 4.27 PM UNTIL  
MONDAY, 13 MAY 2013